

DCUSA Consultation Report		At what stage is this document in the process?
<h2>DCP 404:</h2> <h3>Access SCR Changes to Terms of Connection for Curtailable Customers</h3> <p><i>Date raised: 06 May 2022</i></p> <p><i>Proposer Name: Tom Selby</i></p> <p><i>Company Name: Electricity North West</i></p> <p><i>Company Category: DNO</i></p>		01 – Change Proposal
		02 – Consultation
		03 – Change Report
		04 – Change Declaration
<p>Purpose of Change Proposal:</p> <p>The purpose of this change proposal (CP) is to implement parts of Ofgem’s Access SCR Decision in respect of Non-firm Access Rights. This CP seeks to address paragraphs 18 to 22 of the Access SCR Direction. The full Access SCR implementation will also change other parts of the DCUSA and other industry documents</p>		
	<p>This document is a Consultation issued to DCUSA Parties and any other interested parties in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 404 ‘Access SCR: Changes to Terms of Connection for Curtailable Customers.</p> <p>The Working Group recommends that this Change Proposal should proceed to Consultation.</p> <p>Parties are invited to consider the questions set in section 10 and submit comments using the form attached as Attachment 1 to dcusa@electralink.co.uk by 05 September 2022.</p> <p>The Working Group will consider the consultation responses and determine the appropriate next steps for the progression of the Change Proposal (CP).</p>	
	<p>Impacted Parties:</p> <p>Suppliers, DNOs, IDNOs and CVA Registrants</p>	
	<p>Impacted Clauses:</p> <p>New Schedule (Curtailable Connections), Schedule 22 (Common Connection Charging Methodology)</p>	

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 **Any questions?**

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Timetable

The timetable for the progression of the CP is as follows:

Change Proposal timetable

Activity	Date
Initial Assessment Report	11 May 2022
Consultation Issued to Industry Participants	12 August 2022
Change Report Approved by Panel	05 October 2022
Change Report issued for Voting	05 October 2022
Party Voting Closes	19 October 2022
Change Declaration Issued to the Authority	20 October 2022
Authority Decision	TBC
Implementation	01 April 2023

1 Summary

What?

- 1.1 On 3rd 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 non-firm access arrangements at distribution.
- 1.2 Specifically, this CP seeks to implement the necessary changes to the DCUSA to deliver the obligations placed on DNOs in the Access SCR Direction with regard to:-
 - the definition of curtailment;
 - setting curtailment limits;
 - obligations on the DNO if curtailment is required above accepted limits; and
 - end dates for curtailable access.

Why?

- 1.3 The Access SCR Direction places an obligation on DNOs to bring forward the necessary code changes to implement the decision. Failure to implement the decision may lead to DNOs breaching their licence ('Distribution Licence') obligations.

How?

- 1.4 The implementation of the Access SCR Decision requires changes to a number of industry documents. Whilst the main parts of the decision will be implemented through changes to the DCUSA, other aspects of the decision will be implemented through amendments to the model form of the DNO Statements of Methodology and Charges for Connection, the Distribution Licence, and the Electricity Connection Charge Regulations (ECCR).
- 1.5 Non-firm access options for distribution connected users are not available to Small Users or unmetered users. Small Users are defined as "*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*". Therefore, changes to the connection terms are needed for users who have connections with 'C/T metering' and thus, are affected by the Access SCR Decision. These terms are currently documented in Schedule 2B Section 3 (National Terms of Connection) and Schedule 2C (Suggested Bespoke Connection Agreement).
- 1.6 Whilst the Access SCR Decision refers to arrangements for 'non-firm' access, it is proposed to use terms Curtailable and Non-Curtailable in this CP. This is to aid clarity as the term 'non-firm' has different meanings in different situations.

- 1.7 The Working Group considered that a new DCUSA Schedule was required to cover the provisions for a Curtailable Connection, that covers the following areas:-
- the bilateral arrangements between a DNO/IDNO Party and a Customer to reflect the curtailment arrangements;
 - the methodology for determining the Curtailment Limit;
 - how the DNO/IDNO Party will measure Curtailment;
 - how the DNO/IDNO Party will report Curtailment to the Customer;
 - measures taken to avoid, and what happens if the Curtailment Limit is exceeded;
 - the methodology for setting the Exceed Curtailment Price where a DNO/IDNO Party exceeds the Curtailment Limit; and
 - end dates for converting a Curtailable Connection into a Non-Curtailable Connection
- 1.8 The CP also includes minor changes to Schedule 22 (Common Connection Charging Methodology) to ensure the costs of any equipment needed to manage the Curtailment are borne by the Customer.
- 1.9 The impact of the Access SCR Decision on the connections application process will be addressed in changes to Sections 1 to 3 of the DNO Statements of Methodology and Charges for Connection. Each DNO is required to publish such a statement and the form of this statement is approved by Ofgem. DNOs have collectively developed the current form of the statement and it is used by all DNOs. DNOs will collectively amend the form of the statement as required and seek form approval from Ofgem. This is out of scope of this CP.
- 1.10 The Access SCR Decision will also need to be reflected in connection offer terms made by a DNO/IDNO Party to a Customer. For competition reasons these terms are specific to each DNO/IDNO Party and not agreed collectively. Each DNO/IDNO Party will therefore be responsible for amending their own terms and this is out of scope of this CP.
- 1.11 The changes to access arrangements will be the same regardless of whether a customer connects to a DNO or IDNO network and this is covered by this CP. There will however need to be changes to the bilateral arrangements between DNOs and IDNOs which are set out in Section 2B (Terms and Conditions) and Schedule 13 (Bi-lateral Connection Agreement). For reference, DCP 405 'Access SCR – Managing curtailable connections between licensed distribution networks' has been raised to cover these changes.
- 1.12 The other major aspect of the Access SCR Decision is changes to the Connection Charging Boundary. Implementation of these changes will require significant modification to Schedule 22 (Common Connection Charging Methodology). This is being progressed principally via DCP 406 'Access SCR: Changes to CCCM, and where necessary, close liaison with the DCP 406 Working Group is taking place as both changes are impacting the same sections of DCUSA.

2 Governance

Justification consideration as a Part 1 Matter

- 2.1 DCP 404 is considered to be a Part 1 Matter as it meets a number of the criteria set out in Clause 9.4, namely:-
- 9.4.1 it is likely to have a significant impact on the interests of electricity consumers;
 - 9.4.2 it is likely to have a significant impact on competition in one or more of:
 - (A) the generation of electricity;
 - (B) the distribution of electricity; and
 - (D) any commercial activities connected with the generation, distribution or supply 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 The DCUSA Panel agreed that this CP also is to be treated as an Urgent Change. It is important that the CP is submitted to Ofgem for approval by October 2022 to allow DNOs to meet the obligation placed on them in the Access SCR Direction.
- 2.3 This CP cannot be withdrawn without the Authority's consent to do so. In accordance with Clause 11.9A, the Authority may also, by direction, specify and/or amend the relevant timetable to apply to each stage of the Assessment Process.

Next Steps

- 2.4 Following a review of the Consultation responses, the Working Group will work to agree the final detail of the solution for this CP and if appropriate progress to the Change Report phase.

3 Why Change?

Background of DCP 404

- 3.1 As noted this CP has been prepared in response to specific requirements set out in the Access SCR Direction, and modifications to the DCUSA are needed where it does not cover the non-firm arrangements set out in the Access SCR Decision. Specifically, this CP has been raised to address paragraphs 18 to 22 of Ofgem's Access SCR Direction, which are set out below for reference:

Non-firm Access Rights

- 18) *Reforms to the definition and choice of access rights are explained under 'Details of our Decision' in Chapter 4 of the Access SCR Decision - Decision on Access Rights (in the case for change section), specifically in the following sections:*
- i) *'The definition of curtailment', paragraphs 4.35 – 4.44*

- ii) *'Setting curtailment limits', paragraphs 4.45 – 4.47*
 - iii) *'Obligations on the network operator if curtailment is required above accepted limits', paragraphs 4.48 – 4.62*
 - iv) *'End dates for curtailable access', paragraphs 4.63 – 4.75*
- 19) *The Proposal(s) must set out a definition of Curtailment which captures any action taken by the network operator to restrict a user's access to the distribution system, explicitly excluding interruptions caused by a fault or damage to the distribution system which results in loss of supply to the customer, and excluding distribution network actions resulting from constraints on the transmission network.*
- 20) *The Proposal(s) should include restrictions on the circumstances in which a connection offer can include a provision for Curtailment, referred to here as a Curtailable Connection. Those circumstances must include:*
- i) *A Curtailable Connection is only offered where the network operator has identified a requirement for Reinforcement to facilitate a connection*
 - ii) *A Curtailable Connection is not available to small users, which should capture households and non-domestic users that are billed on an aggregated and non-site-specific basis or who are metered directly using whole current meters, and is not available to unmetered users.*
 - iii) *A Curtailable Connection offer should be accompanied by supporting information on the expected costs of the counterfactual non-Curtailable Connection, to enable the customer to make an informed decision.*
- 21) *The Proposal(s) should set out a standardised approach to the application of parameters which would apply to connection offers for Curtailable Connections, including:*
- i) *The capacity that is curtailable, which could be anything up to and including the full capacity requested by the customer ("Curtailable Capacity").*
 - ii) *Calculating the number of hours for which a customer has been subject to Curtailment, as the number of hours the customer has been curtailed multiplied by proportion of Curtailable Capacity which was Curtailed ("Curtailment Hours")*
 - iii) *Setting a limit on the maximum number of Curtailment Hours ("Curtailment Limit") which should:*
 - a) *be applied in respect of Curtailment Hours over a rolling 12-month period.*
 - b) *be set by the DNO via a defined process on the basis of maximising network benefit, taking into account network availability and forecast time-profiled levels of demand/generation associated with the relevant network constraint, as well as a probabilistic assessment of the level of Curtailment required.*
 - c) *be applied consistently across all network operators.*
 - iv) *The steps the network operator must take in order to avoid exceeding the Curtailment Limit, namely the provision of required network capacity or the procurement of flexibility in line with the requirements of Electricity Distribution Standard Licence Condition 31E.*
 - v) *The steps which will be taken if the network operator is unable to avoid exceeding the Curtailment Limit, including specifying requirements for notifications from the network operator to the customer prior to exceeding the Curtailment Limit, and payments to the customer at a set price ("Exceeded Curtailment Price") when the Curtailment Limit is exceeded. The Exceeded Curtailment Price should:*
 - a) *be sufficiently high so that network operators are disincentivised to exceed the Curtailment Limit.*

- b) *be markedly higher than contracted market prices of flexibility in the licence area under the requirements of SLC 31E, or the cost of Reinforcement required to provide a connection where contracted market prices are unavailable.*
 - c) *be calculated consistently across all network operators.*
 - vi) *The date by which the provisions of the Curtailable Connection will cease (“End Date”), and at which point the user will be provided firm access on their full requested capacity. If the customer requests enduring non-firm access, then the Curtailable Connection arrangements will endure.*
- 22) *The Proposal(s) should be based on several principles:*
- i) *The process should be as simple as possible whilst achieving the Direction’s stated objectives.*
 - ii) *The processes implemented must be common to all DNOs and be repeatable.*
 - iv) *Limits accepted by customers will be included in both their Curtailable Connection offer and connection agreement.*
 - v) *Customers subject to Curtailment will receive regular reporting on the level of curtailment relative to their accepted limits.*
- 3.2 Failure to develop these proposals and implement associated change by 1 April 2023 will result in failure to implement the Access SCR Decision, and in doing so could result in DNOs being in breach of the Distribution Licence.

Question 1 Do you understand the intent of DCP 404?

Question 2 Are you supportive of the principles of DCP 404?

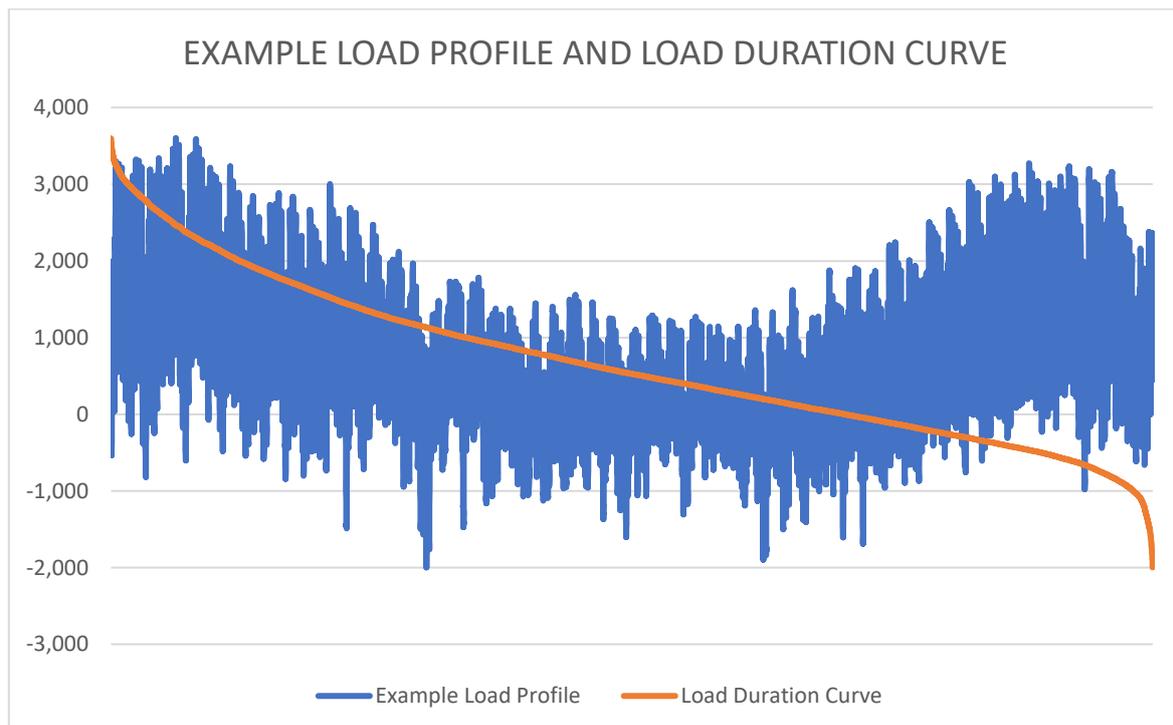
4 DCP 404 Working Group Assessment

- 4.1 The DCUSA Panel established a Working Group to assess DCP 404. 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.
- 4.2 The Working Group developed this consultation document to gather information and feedback from market participants on this CP.
- 4.3 Following the initial meetings of the Working Group, members agreed that the following items should be addressed in this consultation document:
- Methodology for setting the Curtailment Limit
 - Methodology for Measuring Curtailment
 - Curtailment Reporting
 - Exceeding Curtailment Limits
 - Methodology for setting the Exceeded Curtailment Price
 - The Flexibility Market Price
 - Markedly higher: uplift of the Exceeded Curtailment Price
 - Alternative approaches to calculating the Flexibility Market Price

- Clean Energy Package
- Flexibility Market Price Statement
- Calculating the Reinforcement Cost
- Fixed vs Variable Exceeded Curtailment Price
- Consolidated or Separate Exceeded Curtailment Price for import/export
- Curtailable End Date
 - Enduring Curtailable Connections
- Form of Curtailable Connection Agreement
- Appendix 2 - Amendments to The Applicable NTC Section
- Modifications to Schedule 22 – Common Connection Charging Methodology

Methodology for setting the Curtailment Limit

- 4.4 The methodology for setting the Curtailment limit is described in Section 2 of the proposed new Schedule and an illustrative calculation can be found as **Attachment 4**.
- 4.5 Paragraph 21) iii) of the Access SCR Direction requires that a standardised approach is developed to determine the Curtailment Limit. The basic approach that the Working Group propose is to take the annual current load profile of the asset that requires reinforcement, add capacities for (i) accepted connection offers, (ii) connection offers that have been issued but not yet accepted or declined, and (iii) the new connection being requested. The capacities are adjusted for a 'coincidence' factor to represent the likelihood of the inflight connections materialising (see paragraphs 4.11 to 4.12 for more information).
- 4.6 To aid the analysis, an example load profile of a network user over the course of a year is also presented as a load duration curve, see illustration below.



- 4.7 A load duration curve is a standard approach for analysing load profile information for a specific part or section of the electricity network. Rather than displaying the data in time sequenced order (as per the blue 'oscillating' load profile shown above), the data is sorted with the highest values on the left and the lowest on the right (as per the orange 'smooth' curve). Displaying the data in this way better illustrates for how long the load is above a certain level and hence may be subject to curtailment by clearly indicating the duration of time that the network load may exceed network capacity.
- 4.8 Prior to submitting this CP, the outline methodology was presented to the Open Networks working group. Whilst more complex modelling tools are sometimes used to assess curtailment, the underlying approaches are the same and no other simplified approaches were identified.

Question 3: Do you agree that the underlying methodology for determining the Curtailment Limit is appropriate? If not, please detail an alternative methodology that could be considered.

- 4.9 For the Import Curtailment Limit, the underlying 'true demand profile' is used to assess the current demand. This includes adjustments for generation and battery storage. This is set out in paragraph 2.3 of the DCP 404 legal text.
- 4.10 For the Export Curtailment Limit, the generation profile is added to the underlying 'true demand profile' to assess the effect of existing generation. This includes adjustments for generation and battery storage. This is set out in paragraph 2.4 of the DCP 404 legal text.

Question 4: Do you agree that the proposed profiles for assessing the Import Curtailment Limit and Export Curtailment Limit are appropriate? If not, please provide your reasons why.

- 4.11 In order to assess the effect of connections that are inflight (i.e. either under or awaiting construction or a connection offer that has been issued but not yet accepted), the Working Group considered how these should be treated in the calculation of the Curtailment Limit. The Working Group proposal is that for accepted connection offers and the two largest inflight connection offers, 100% of the requested capacities are used. For other inflight connection offers a confidence factor of 50% is used to reflect the probability that not all connection offers will be accepted.
- 4.12 The rationale for this approach is that it is a reasonable assumption that accepted offers will utilise their requested capacity once connected. The Working Group recognise that not all connection offers would necessarily be accepted. However, assuming not all the capacity from 'large' inflight offers would be used could result in the Curtailment Limit being set artificially low, and expose a DNO/IDNO Party to risks of failing to meet obligations not to exceed the Curtailment Limit.

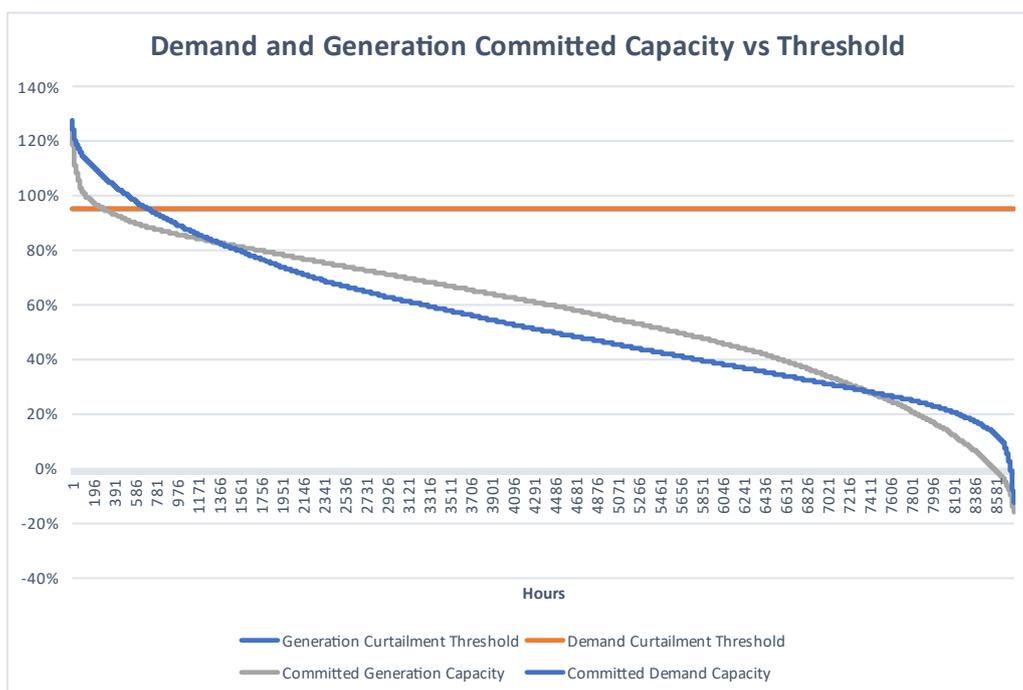
4.13 It is therefore proposed that 100% of the two largest offers would be assumed to connect but subsequent offers would be subject to a confidence factor. The Working Group considered whether acceptance rates could be used to determine this confidence factor. However, this approach added a lot of complexity as there were different acceptance rates for different types of connection. Acceptance rates also varied over time. It was also questioned whether historic acceptance rates are a good predictor of the future given the effect e.g. COVID-19 may have had on historic rates and the unknown impact of the Access SCR, which represents a fundamental change to the commercial arrangements for new connections.

Question 5: Do you agree with the approach for including inflight connections into the assessment of the Curtailment Limit? If not, please provide your reasons why.

4.14 Adding the effect of inflight connections on to the current utilisation gives an indication of how much capacity of an asset has been committed. This can be compared to the asset capacity. It is recognised that the above approach is an approximation and there are other factors, in particular general load growth from other users that could also utilise capacity i.e. the capacity 'headroom' may decrease due to an increase in demand from existing connections. To take account of this it is proposed to multiply the asset capacity by the Curtailment Threshold.

4.15 The Working Group propose using a 95% Curtailment Threshold. The Curtailment Limit (in hours) is then the period of time that the committed capacity exceeds the Curtailment Threshold and hence when the connection would be subject to Curtailment. The methodology has been subject to limited testing to date, but DNOs generally expect the approach to give satisfactory results, particularly for simple radial networks. It is recognised that the Access SCR Direction requires a simplified approach to ensure it can be applied consistently across each DNO/IDNO Party.

4.16 An illustration of the output of the example calculation tool is shown below.



Question 6: Do you agree that a 95% Curtailment Threshold is a suitable figure? If not, please provide alternate figures and explain why they are more appropriate.

Question 7: Are there any other factors or steps you believe are required to calculate the Curtailment Limit, and why?

4.17 Following discussions around concerns with following a common and perhaps simplified methodology for calculating the Curtailment Limit and recognising the potential complexities of different parts of a DNO/IDNO Party network, the Working Group agreed to include a provision which would allow the Authority to direct that the DNO/IDNO Party does not follow the methodology for calculating the Curtailment Limit. It was noted that this would allow parties to seek permission to amend how the Curtailment Limit is set, by exception only.

Question 8 Do you agree that specific provision should be made where a DNO/IDNO Party should not follow the methodology for setting the Curtailment Limit where directed by the Authority not to? If not, please provide your reasons why.

Methodology for measuring Curtailment

4.18 Paragraph 21 of the Access SCR Direction requires that a standardised approach is developed to calculate the number of hours for which a customer has been subject to Curtailment. The Direction sets out that this is to be based on the number of hours the customer has been subject to Curtailment multiplied by the proportion of Curtailable Import Capacity/Curtailable Export Capacity¹ which was subject to Curtailment (i.e. the Curtailment duration is weighted relative to the amount of capacity that has been Curtailed).

4.19 The methodology for measuring Curtailment is described in Section 3 of the proposed new Schedule, where the following calculations are detailed:

- Full Import Curtailment Hours/Full Export Curtailment Hours i.e. the duration a Customer has been subject to Curtailment weighted proportionate to the capacity the Customer has been instructed to limit (the Curtailment Instruction Value) relative to its Curtailable Import Capacity/Curtailable Export Capacity respectively; and
- The amount to be paid to the Customer should the Full Import Curtailment Hours/Full Export Curtailment Hours exceed the Import Curtailment Limit/Export Curtailment Limited respectively.

4.20 It is proposed that the Full Import Curtailment Hours/Full Export Curtailment Hours are measured on a quarterly basis at the end of each Quarter. The DNO/IDNO Party will do this by assessing the number of curtailment 'instructions' it issued to a Customer in the previous 12 months, and for each curtailment instruction the DNO/IDNO Party will:

- measure the duration (in hours) of each period of Curtailment;

¹ i.e. the proportion of the Customer's maximum import or export capacity which the Customer agreed with the DNO/IDNO Party can be subject to Curtailment.

- multiply the duration by the Curtailment Instruction Value; and
 - divided by the Curtailable Import Capacity/Curtailable Export Capacity (as applicable).
- 4.21 Should the Full Import Curtailment Hours/Full Export Curtailment Hours exceed the respective Import Curtailment Limit/Export Curtailment Limit, the amount that the DNO/IDNO Party is obligated to pay a Customer within 30 days following the end of each Quarter will be determined by:
- taking the Full Import Curtailment Hours/Full Export Curtailment Hours;
 - multiply by the Curtailable Import Capacity/Curtailable Export Capacity as appropriate (in MVA); and
 - multiply by the Exceeded Import Curtailment Price/Exceed Export Curtailment Price as appropriate (the value of which is described in more detail in this consultation and set out in Section 6 of the proposed new Schedule).

Question 9: Do you agree with the proposed methodology for measuring Curtailment? If not, please provide your reasons why.

Curtailment Reporting

- 4.22 Paragraph 22) and specifically limb (iv) of the Access SCR Direction states that the “*Proposal(s) should be based on several principles: ... Customers subject to Curtailment will receive regular reporting on the level of Curtailment relative to their accepted limits*”.
- 4.23 Section 4 of the proposed new Schedule describes the proposed DNO/IDNO Party Curtailment obligations to report to a Customer the level of Curtailment it has been subject to each Quarter. The Working Group propose that the DNO/IDNO Party shall provide notice of the number of Full Import Curtailment Hours and/or Full Export Curtailment Hours that the Customer has been instructed to make. This aligns with the proposed obligations on measuring Curtailment detailed in paragraphs 4.19 to 4.21 i.e. the DNO/IDNO Party will notify the Customer in parallel with the measurement cycle.
- 4.24 Paragraph 21) of the Access SCR Direction states that the “*Proposal(s) should set out a standardised approach to the application of parameters which would apply to connection offers for Curtailable Connections*” including (limb v) “*The steps which will be taken if the network operator is unable to avoid exceeding the Curtailment Limit, including specifying requirements for notifications from the network operator to the customer prior to exceeding the Curtailment Limit*”.
- 4.25 The Working Group also included a provision within paragraph 5.2 of the proposed new Schedule to obligate a DNO/IDNO Party to use reasonable endeavours to notify a Customer in advance if it believes that the Full Import Curtailment Hours and/or Full Export Curtailment Hours will exceed the Import Curtailment Limit and/or Export Curtailment Limit respectively. The Working Group consider this to be a pragmatic approach to satisfy the requirement in the Access SCR Direction given the behaviour of a Customer may result in it being difficult to predict when/if the Curtailment Limit may be breached.

Question 10: Do you agree with the proposed approach for reporting Curtailment to a Customer? If not, please provide your reasons why.

Exceeding Curtailment Limits

- 4.26 Paragraph 4.51 of the Access SCR Decision states that DNOs must demonstrate that they have taken best endeavours to avoid the need to curtail a customer above their agreed limits. The Access SCR Direction requires DNOs to take steps to avoid exceeding the Curtailment Limit, either by providing the necessary capacity or procuring flexibility services from the market in line with condition 31E 'Procurement and use of Distribution Flexibility Services' of the Distribution Licence ('SLC 31E').
- 4.27 Subsequent clarification with Ofgem indicated a reasonable endeavours approach is in line with its policy intent. The Working Group considered that it would be unusual to include best endeavours provision in a contract as this appears excessively onerous on a DNO/IDNO Party, and potentially inconsistent with obligations set out in standard licence condition SLC 31E and general duties under the Electricity Act 1989.
- 4.28 The Working Group therefore proposes that the obligation not to exceed a Curtailment Limit is a reasonable endeavours obligation as set out in paragraph 5.1 of the proposed new Schedule.

Question 11: Do you agree that the reasonable endeavours is appropriate to avoid exceeding a Curtailment Limit, or should best endeavours be used? Please provide your reasons.

Methodology for setting the Exceeded Curtailment Price

- 4.29 Should exceeding a Curtailment Limit become unavoidable, for example if Distribution Flexibility Services are not available in the required location, a DNO/IDNO Party is required to pay the Customer at a set price for the Curtailment above the Curtailment Limit. The Access SCR Direction stated (paragraph 21 v)) that the "*Exceeded Curtailment Price should:*
- be sufficiently high so that DNOs are disincentivised to exceed the Curtailment Limit.*
 - be markedly higher than contracted market prices of flexibility in the licence area under the requirements of SLC 31E, or the cost of Reinforcement required to provide a connection where contracted market prices are unavailable.*
 - be calculated consistently across all DNOs."*

Flexibility Market Price

- 4.30 To address the requirement set out in the Access SCR Direction, the Working Group developed a methodology for setting the Exceeded Curtailment Price (in £/MWh). The full methodology is included in the proposed new Schedule (see Attachment 2) and is based on the following:
- Each DNO determines the highest Flexibility Market Price it has contracted for Distribution Flexibility Services during the applicable regulatory year and the two prior regulatory years.
 - If a DNO has tendered but not contracted for Distribution Flexibility Services during the same three-year period, then the Flexibility Market Price will be based, where available, on the

tendered ceiling price. This provision has been included in recognition that flexibility markets are at early stages of development and contracted prices may not always be available, but using tendered prices gives a good indication of the prices a DNO would be prepared to pay. This provides added protection for a Customer subject to a Curtailable Connection, on the premise that the Flexibility Market Price is assumed to be higher than the alternative Reinforcement Cost.

- If a DNO has not contracted or tendered for Distribution Flexibility Services, then the annuitized Reinforcement Cost for that connection will be calculated and applied. How the annuitized Reinforcement Cost is calculated is detailed further in paragraphs 4.47 to 4.52.

Question 12: Do you agree with the proposed approach to utilising tendered (but not contracted) prices for Distribution Flexibility Services, which is additional to the Access SCR Direction requirements? If not, please provide your reasons why.

Question 13: Do you agree with the methodology for setting the Exceeded Curtailment Price? If not, please give your reasons.

Markedly higher: uplift of the Exceeded Curtailment Price

- 4.31 An uplift of 20% is proposed applied to either (i) the Flexibility Market Price (if available) or (ii) the Reinforcement Cost, to meet the markedly higher requirement set out in the Access SCR Direction.
- 4.32 The Working Group discussed what uplift would represent 'markedly higher'. The Working Group first considered that a figure of 50%, but following discussion determined that such an uplift would be 'significantly markedly higher', and concluded that a figure of 20% would be a fair representation of markedly higher instead, having considered that a figure of say 10% would not be sufficiently markedly high.

Question 14: Do you agree that an uplift of 20% meets the requirement of 'markedly higher'? If not please give your reasons and advise what level you believe the uplift should be set at.

Alternative approaches to calculating the Flexibility Market Price

- 4.33 The Working Group debated the use of the highest price for contracted Distribution Flexibility Services, with a number of Working Group members believing the methodology should ensure that the Flexibility Market Price reflects the appropriate market price, but raised concerns that the proposed approach may result in unintended consequences for the emerging flexibility market. As such, the Working Group considered alternative approaches that, whilst fully delivering policy intent set out in the Access SCR Decision, would mitigate against the risk of unfairly impacting Distribution Use of System (DUoS) customers by exposing them to exorbitantly high prices (i.e. when the DNO recovers costs associated with the Exceeded Curtailment Price).

4.34 In the Access SCR Decision, Ofgem recognised that its decisions on access rights are new arrangements, that shift risk from the connecting customer to the DNO, who will need to manage its network within the Curtailment Limit agreed with a Customer with a Curtailable Connection or be exposed to additional costs. Ofgem was clear that any new exposure to risk should be proportionate and protect against costs that are orders of magnitude above the value of the service provided to the network, and wider bill payers. Therefore the Working Group would also like to consult on the following alternative methodology for calculating the Flexibility Market Price:

- DNOs have a licence condition to contract for flexibility where it is efficient and economic to do so. Distribution Flexibility Services is very location specific, and in some locations it may be appropriate to contract for Distribution Flexibility Services for only a few hours, allowing a very high price to be paid but still meet the economic test. For example, one DNO has contracted for a short service for around £7,500/MWh. Using such a price, uplifted by 20%, for when any Curtailment Limit is breached, for any Customer in that year, could place a significant burden on DUoS customers and also risk distorting flexibility markets, which may hinder a DNOs ability to place contracts for Distribution Flexibility Services in those locations. Applying a 95th percentile to prices for Distribution Flexibility Services – as opposed to always taking the maximum value – would remove such outliers and windfall gains for the a Customer with a Curtailable Connection, but still allow a premium price to be applied to all connections and provide the required disincentive.
- Exclude post-fault products when determining the contracted prices for Distribution Flexibility Services. The Access SCR Decision confirms that, when assessing Curtailment, the DNO/IDNO Party should not include faults or interruptions to the network, therefore some Working Group members consider that it is not appropriate to include such products when setting the Exceeded Curtailment Price.
- Only use the current regulatory year to determine the price, rather than include two prior regulatory years. The market for Distribution Flexibility Services is emerging, and setting prices based on initial years of tendering – when trials and service applications were being developed and tested – could result in the Flexibility Market Price being not reflecting current markets for Distribution Flexibility Services.

4.35 The Working Group note that any and/or all of the above alternative approaches could be applied instead of the approach set out in the proposed new Schedule for the purposes of this consultation.

Question 15: With respect to paragraph 6.4 of the proposed new Schedule:

- (a) should the Flexibility Market Price be the ‘highest of any Distribution Flexibility Service’ or should outliers be excluded? Do you have any alternative suggestions? Please give your reasons.**
- (b) should this be of any Distribution Flexibility Services, or are there some services that should be excluded? Please give your reasons.**
- (c) over what period do you believe prices for Distribution Flexibility Services should be used? Please give your reasons.**

Question 16: Do you believe there are any unintended consequences with respect to the proposed methodology for setting the Exceeded Curtailment Price? If so, then please provide details.

Clean Energy Package

- 4.36 The EU Clean Energy Package (CEP)², Article 13(7) was raised as a consideration within the Working Group in relation to the proposed Exceeded Curtailment Price methodology. The CEP sets out that “*Where non-market based redispatching³ is used, it shall be subject to financial compensation*” in a number of circumstances, and goes on to describe how such compensation should be calculated.
- 4.37 It was stated that if this CP solution was to result in a payment that was less than the higher of the CEP calculated element (as the mandated level of compensation), then an ‘uplift’ would need to be applied to the Exceeded Curtailment Price to bring it up to the equal of the CEP calculated value. It was also noted that as the CEP is retained UK law, it sits above both the licenses that either the Electricity System Operator (ESO) or DNOs operate under and it is also superior to the DCUSA.
- 4.38 An alternative position was that the applicability of the CEP was a consideration for Ofgem in coming to their Access SCR Decision and issuing the Access SCR Direction, and hence the CP should be restricted to delivering the changes as set out in the Access SCR Decision and Direction only without further consideration of the CEP.
- 4.39 The Working Group discussed the CEP and could not reach an agreement around whether this needs to be considered when developing a solution as this was not mentioned within the Access SCR Decision or Access SCR Direction.
- 4.40 The Working Group agreed that Ofgem should be notified of this concern.

Question 17: Do you believe that the Clean Energy Package should be considered as distinct from the Access SCR Decision and Access SCR Direction when developing the solution for this CP? Please provide your explanation.

Flexibility Market Price Statement

- 4.41 The Flexibility Market Price Statement is set out within Appendix A to the proposed new Schedule and simply takes the form of a table as set out below:

£/MWh	Regulatory Year		
Flexibility Market Products	t-2	t-1	t
Product Name [e.g., Sustain]			

² [CEP Reg 2019/943](#)

³ 'redispatching' meaning curtailment in this context

- 4.42 It was noted that the intent of having the Flexibility Market Price Statement is to provide greater transparency for industry (Customers) on each DNOs price for the various Flexibility Market Services that are utilised across the current regulatory year and the previous two regulatory years.
- 4.43 The Working Group considered the frequency of which DNOs should be expected to refresh such data, with potential options being quarterly, every six months or yearly. The Working Group considered that every six months was reasonable, and in order to standardise when that would be expected to happen, the Working Group agreed that it should be in April and October of each year, specifically, by the fifth Working Day of each respective month.
- 4.44 Next, the Working Group considered, how such data should be published, with options being that each DNO populates and publishes the table on their own websites, or populates and provides to the DCUSA Code Administrator to publish centrally on the DCUSA website. It was agreed that having all Flexibility Market Price Statements in one place would be beneficial for industry participants and thus the latter of the two options was considered to be best.
- 4.45 The Working Group therefore proposed that each DNO Party is obligated to update the Flexibility Market Price Statement with the Flexibility Market Price(s) for the relevant years and send the completed table to the Secretariat.
- 4.46 It was agreed that the Secretariat shall be obliged to publish the Flexibility Market Price Statement on the DCUSA website, within three Working Days of receiving each Flexibility Market Price Statement. This approach is aligned with other DNO obligations such as those set out in Schedule 15 'Cost Information Table'.

Question 18: Do you agree with the proposals in relation to the Flexibility Market Price Statement? If not, please provide your reasons.

Calculating the Reinforcement Cost

- 4.47 As noted in paragraph 4.30, where the Flexibility Market Price is unavailable, then the Reinforcement Cost is used to set the Exceeded Curtailment Price. The Working Group propose to use the Reinforcement Cost in the Minimum Scheme⁴ using the same approach that will be used to assess whether the high-cost project threshold is exceeded. This provides a capital cost expressed as £/MVA.
- 4.48 The Working Group discussed and agreed that a methodology needs to be created to convert this £/MVA capital cost and to £/MVAh to reflect time and to be the same unit of measurement as to which the Exceeded Curtailment Price needs to be expressed.

⁴ See Schedule 22 'Common Connection Charging Methodology'.

- 4.49 The Working Group discussed the two similar approaches of currently doing this conversion within (i) the Common Distribution Charging Methodology (CDCM) and (ii) the Common Evaluation Methodology (CEM) which could potentially be adopted within this change. After further review, the Working Group agreed to adopt the current methodology within the CDCM.
- 4.50 The main difference between an CDCM and the CEM is that the CEM is designed to evaluate and compare the total discounted cost over a 10-year period whereas the CDCM approach essentially allows a comparison on a marginal cost basis – i.e. by resolving everything to a £/MWh basis we can make relative comparisons at a point in time.

Question 19: Do you agree with the conversion from £/MVA to £/MVAh using the CDCM as opposed to the CEM? If not, please provide your reasons. Do you have any alternative suggestions that the Working Group should consider?

Fixed vs variable Exceeded Curtailment Price

- 4.51 It was noted that there may be a high chance of volatility within local flexibility markets, such that if DNOs set the Flexibility Market Price for a charging year based on the Distribution Flexibility Services within the previous charging year(s), there may be issues if the Flexibility Market Price significantly increases (meaning the price is no longer 'markedly higher' than the market for Distribution Flexibility Services).
- 4.52 Therefore, the Working Group discussed whether the Exceeded Curtailment Price should be fixed or variable whilst a Customer is connected via a Curtailable Connection. The Working Group considered that a fixed price would have the advantage of giving the Customer certainty at the time of accepting their connection offer, whereas a variable price would more closely reflect the market conditions at the time of the Curtailment. It was agreed to seek wider industry views.

Question 20: Should the Exceed Curtailment Price be determined and fixed at the time of the Customer accepting their connection offer, or at the time the Curtailment occurs? Please provide your reasons.

Consolidated or separate Exceeded Curtailment Price for import/export

- 4.53 The Working Group discussed whether there should be separate figures for Exceeded Import Curtailment Price and Exceeded Export Curtailment Price, or whether a single Exceeded Curtailment Price only should be used.
- 4.54 Some Working Group members suggested that this could be down to the discretion of the DNO/IDNO Party based on the market data available, and this is the basis of the proposed new Schedule for the purposes of this consultation. However, the Working Group would like to seek industry views.

Question 21: Do you believe that a separate Exceeded Curtailment Price should be applied for import and export? Please provide your reasons.

Question 22: Should the choice of a separate Exceeded Curtailment Price be at the discretion of the DNO/IDNO Party?

Curtailement End Date

- 4.55 Ofgem consider that time-limited, non-firm arrangements can be a useful tool for DNOs to plan and optimise the timing of network investments, leading to more efficient network development over time. End dates for non-firm arrangements would ensure that DNOs invest in network capacity in a timely way and provide certainty to customers on when their connection arrangements are likely to be made firm. An open-ended arrangement provides no incentive on DNOs to resolve the constraint and progress with reinforcement or procure flexibility in a timely manner. This does not mandate the DNOs to reinforce the network by this time. In line with current licence obligations, DNOs would still be able to consider if procurement of flexibility is the best way to make the required capacity available. Ofgem consider that end dates should only consider wider, known developments.
- 4.56 The end date for a Curtailement Connection is the date where reinforcement would be completed, or where alternatively the DNO provides the required capacity by procuring flexibility. A Curtailement Connection would not convert to a Non-Curtailement Connection until the necessary capacity had been made available.
- 4.57 The Electricity (Connection Standards of Performance) Regulations 2015 allow for dates of energisation for Customers with a Non-Curtailement Connection to be moved in accordance with rules set out within the regulations. The regulations include provision for payment to Customers where the date needs to be moved under certain circumstances. The Working Group propose to link the provisions of a Curtailement End Date explicitly to these regulations where the Curtailement End Date needs to be changed. This is to make a Customer subject to a Curtailement Connection and Non-Curtailement Connection equitable, to allow end dates to be moved in its similar circumstances as they can for a Customer subject to a Non-Curtailement Connection, and therefore apply the same protections to the Curtailement End Date.
- 4.58 A Customer will have an enduring Curtailement Connection if they decide not to pay Reinforcement in their connection charge.

Question 23: Do you agree the provisions of these Regulations should apply to the Curtailement End Date? If not, please provide reasons why.

Question 24: Should these provisions be repeated in full in the 'Form of Curtailement Connection Agreement' which is set out in Appendix B of the proposed new Schedule? Please provide your reasons.

Enduring Curtailement Connections

- 4.59 Paragraph 4.65 of the Access SCR Decision states that:

"... explicit end dates would not apply where a customer does not explicitly request a firm connection or is unwilling to accept the costs of firming up the connection at the point at which the connection agreement is reviewed. It would also not apply where the connection request triggers the HCC and the connecting customer does not agree to contribute to reinforcement costs above the cap. In such instances, non-firm arrangements can be made on an enduring basis with no set end date."

- 4.60 Therefore, where a Customer does not agree to pay for excess costs above the high-cost project threshold (as determined in Schedule 22), they may instead opt for an enduring Curtailable Connection. This requires a change to the wording in Schedule 22 relating to the high-cost project threshold, namely the existing paragraph 1.15. This paragraph is also being amended by DCP406 to reflect the Access SCR Decision with regards to changes to the connection boundary.
- 4.61 Whilst strictly following the scope of DCP404 and DCP406, such a change should be incorporated in this DCP404, it was proposed that the legal text changes might be better incorporated into the DCP406 legal text as otherwise there is potential for confusion if two CPs are proposing to amend the same paragraph at the same time.
- 4.62 This Working Group have proposed that an additional paragraph, which would be placed after the current paragraph related to the high-cost project threshold to reflect the Access SCR Decision. The Working Group's proposed additional paragraph is set out below:

If you choose not to pay the costs in excess of the high-cost project threshold, you can request a Curtailable Connection instead, then the connection will be Curtailable on an enduring basis with no end-date. If you subsequently require a Non-Curtailable Connection, then this would require a new connection request which may still be subject to excess costs.

Question 25: Do you agree that this additional paragraph satisfies the intent of the Access SCR Decision?

Question 26: Do you agree that the required changes to the wording in the CCM should be included in the legal text changes for DCP406?

Form of Curtailable Connection Agreement

- 4.63 DCP 404 proposes to make use of a form of 'Bespoke Connection Agreement' template, which is detailed under Appendix B of the proposed new Schedule and is titled 'Form of Curtailable Connection Agreement'. The Working Group developed the 'Form of Curtailable Connection Agreement' template based on that which is already contained in Schedule 2C 'Bespoke Connection Agreement' of the DCUSA.
- 4.64 It should be noted that the proposed Appendix B contains three appendices itself (where Appendices 1 and 3 are very closely aligned to that which is already contained in Schedule 2C of the DCUSA). The proposed Appendix 2 'Amendments to The Applicable NTC Section' is not something that is found in the current Bespoke Connection Agreement with Schedule 2C of the DCUSA, although it should be noted that the intent is for such a component to exist but that this would be added on a site by site basis, depending on the connection needs of each specific site. The contents of Appendix 2 is covered in more detail within this document further below (see paragraphs 4.67 to 4.71).
- 4.65 The Working Group considered different approaches to making a provision for some form of Bespoke Connection Agreement that could be made applicable to a Curtailable Connection, including, using 'sign-posting' that detailed what would need to be set out but not mandating a specific template. Following due consideration the Working Group settled on the creation of a specific template that a DNO will be obligated to use when entering into a Curtailable Connection Agreement.

4.66 The core rationale for adopting such an approach was on the basis that the Bespoke Connection Agreement contained in Schedule 2C of the DCUSA, is only a suggested template agreement whereas the new 'Form of Curtailable Connection Agreement' set out in Appendix B of the proposed new schedule is what DNOs are expected to follow to ensure there is consistency across DNOs, when entering a curtailable access arrangement.

Question 27: Do you agree with the Working Group in relation to the form of Curtailable Connection Agreement? If not, please provide your reasons.

Appendix 2 - Amendments to The Applicable NTC Section

4.67 As noted above, Appendix B 'Form of Curtailable Connection Agreement' of the proposed new schedule contains three appendices itself, which are titled as follows:

- Appendix 1 - General Particulars of The Connection
- Appendix 2 - Amendments to The Applicable NTC Section
- Appendix 3 - Technical Conditions

4.68 The Working Group considered how best to reflect the fact that the standard National Terms of Connection (set out within Schedule 2B of the DCUSA) would need to be updated to reflect specific elements that only relate to Curtailable Connections. Specific consideration was given to the belief that the majority of Curtailable Connections will be time limited and therefore, there isn't need to have ongoing arrangements once a connection becomes a Non-Curtailable Connection.

4.69 As set out in paragraph 1.5 above, the Proposer had identified that changes to the connection terms are needed for users who have connections with 'C/T metering' and these terms are currently documented in Section 3 of Schedule 2B (National Terms of Connection) and Schedule 2C (Suggested Bespoke Connection Agreement) of the DCUSA.

4.70 Following a review of Section 3 of Schedule 2B, the Working Group determined that amendments would need to be made to the following clauses of Section 3 of the National Terms of Connection:

1. DEFINITIONS & INTERPRETATION;
5. DE-ENERGISATION;
12. LIMITATION OF CAPACITY;
15. LIMITATION OF LIABILITY; and
22. VARIATIONS.

4.71 The Working Group agreed that instead of proposing direct amendments to Section 3 of Schedule 2B itself, they would instead incorporate the amendments within Appendix 2 of Appendix B in the proposed new schedule. There were a number of reasons for this being the preferred approach, namely:

- There is a defined process for amending the National Terms of Connection (Schedule 2B of the DCUSA) such as publishing notification of modification in the London Gazette and as such, there was as view that this could potentially cause delays to the implementation of DCP 404;

- With the above in mind there was also a view that having the amendments self-contained within the new proposed schedule would also be more flexible, in case there was a need to update, should these proposed amendments not be quite right;
- Modifying the National Terms of Connection would also change the terms for thousands of customers and the changes for curtailable customers and it's uncertain how many customers will actually want curtailable access.

Question 28: Do you agree with the Working Group in relation to the approach used for incorporating amendments of the applicable NTC section into Appendix 2 of the form of Curtailable Connection Agreement? If not, please provide your reasons.

Modifications to Schedule 22 - CCCM

- 4.72 Schedule 22 includes provisions covering the funding of control equipment for flexible connections and these provisions allow for the equipment that is connected at the customers premises to be funded by the customer, but equipment that may be used more widely can either be shared or funded solely by the DNO.
- 4.73 It is proposed that any on site equipment that is required to manage a Curtailable Connection is dealt within the same way and appropriate wording is proposed to be added to paragraphs 1.32A and 1.32B of the CCCM to apply this.

Question 29: Do you agree that a Customer subject to a Curtailable Connection should be required to fund any end control equipment as is applicable to arrangements for Flexible Connections in accordance with Schedule 22? Please provide your rationale.

5 Assessment Against the DCUSA Objectives

- 5.1 For a DCUSA CP to be approved it must be demonstrated that it better facilitates the DCUSA Objectives. There are five General Objectives and six Charging Objectives. DCP 404 will be measured against the DCUSA General Objectives, which are set out in the table below:

	DCUSA General Objectives	Identified 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 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	Neutral
<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

5.2 The Access SCR proposals are designed to facilitate more efficient development of the electricity distribution systems and hence implementing these will have a positive impact on General Objective 1. As these changes are the result of an SCR and DNOs have received the Access SCR Direction to implement the necessary code changes, this CP has a positive impact on General Objective 3.

Question 30: 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.

6 Impacts & Other Considerations

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

6.1 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"/>				

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

Consideration of Wider Industry Impacts

6.3 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.

6.4 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 405 'Managing Curtailable Connections between Licensed Distribution Networks'](#)
- [DCP 406 'Changes to CCCM'](#)
- [DCP 407 'Speculative Development'](#)

Question 31: Are you aware of any wider industry developments that may impact upon or be impacted by this CP?

7 Implementation

- 7.1 Clause 11.9A(2) of the DCUSA, sets out that in respect of all Authority Change Proposals, which DCP 404 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.
- 7.2 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.
- 7.3 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.

8 Legal Text

Legal Text

- 8.1 The legal text for DCP 404 has been provided for within Attachment 2 to this consultation and includes a new Schedule and an amendment to Schedule 22 to cover charging for equipment that is required to be installed as a direct result of the connection being curtailable.

Text Commentary for New Schedule

- 8.2 The new Schedule includes Paragraphs 1-9 which covers the provisions that a DNO/IDNO Party will need to follow with respect to a Curtailable Connection and is set out under the following headings:

- SCHEDULE XX – CURTAILABLE CONNECTIONS
 1. SCOPE
 2. SETTING THE CURTAILMENT LIMIT
 3. MEASURING CURTAILMENT
 4. CURTAILMENT REPORTING
 5. EXCEEDING CURTAILMENT LIMITS
 6. EXCEEDING CURTAILMENT PRICE
 7. CURTAILABLE CONNECTION END DATES
 8. DEFINITIONS
 9. CURTAILABLE CONNECTION AGREEMENT

- 8.3 There are also two appendices to the new Schedule, being

- APPENDIX A: FLEXIBILITY MARKET PRICE STATEMENT
- APPENDIX B: FORM OF CURTAILABLE CONNECTION AGREEMENT (which has three appendices itself):

- APPENDIX 1 - GENERAL PARTICULARS OF THE CONNECTION
- APPENDIX 2 - AMENDMENTS TO THE APPLICABLE NTC SECTION
- APPENDIX 3 - TECHNICAL CONDITIONS

8.4 The form of the Curtailable Connection Agreement included in the Appendices is just a set of words which will be cut and paste from the DCUSA to create a new agreement between the DNO/IDNO and the Customer subject to a Curtailable Connection. It is based on the standard 'Bespoke Connection Agreement' template Schedule 2C of the DCUSA holds but has been updated to be more specific to Curtailable Connections.

8.5 As noted above, Appendix B has three appendices itself, two of which (Appendix 1 and 3) are quite generic in nature, with the remaining appendix (Appendix 2) being somewhat more specific. Appendix 2 includes the amendments to Section 3 of the National Terms of Connection (which forms part of Schedule 2B of the DCUSA) which will essentially fall away when the connection becomes non-curtailable.

Text Commentary for Amendments to Schedule 22 – Common Connection Charging Methodology

8.6 As noted in section 4 above, Schedule 22 of the DCUSA contains provisions (paragraphs 1.32A and 1.32B) covering the funding of control equipment for flexible connections and these provisions allow for the equipment that is connected at the customers premises to be funded by the Customer, but equipment that may be used more widely can either be shared or funded by the DNO. The amendment proposed as part of DCP 404 will mean that the same provisions will be equally applicable to a Customer subject to a Curtailable Connection.

Question 32: Do you have any comments on the proposed legal text?

9 Code Specific Matters

Reference Documents

9.1 Access SCR Decision⁵ and Access SCR Direction⁶.

⁵ <https://www.ofgem.gov.uk/sites/default/files/2022-05/Access%20SCR%20-%20Final%20Decision.pdf>

⁶ <https://www.ofgem.gov.uk/sites/default/files/2022-05/Access%20SCR%20-%20DCUSA%20Direction1651572952655.pdf>

10 Consultation Questions

10.1 The Working Group is seeking industry views on the following consultation questions:

No.	Questions
1	Do you understand the intent of DCP 404?
2	Are you supportive of the principles of DCP 404?
3	Do you agree that the underlying methodology for determining the Curtailment Limit is appropriate? If not, please detail an alternative methodology that could be considered.
4	Do you agree that the proposed profiles for assessing the Import Curtailment Limit and Export Curtailment Limit are appropriate? If not, please provide your reasons why.
5	Do you agree with the approach for including inflight connections into the assessment of the Curtailment Limit? If not, please provide your reasons why.
6	Do you agree that a 95% Curtailment Threshold is a suitable figure? If not, please provide alternate figures and explain why they are more appropriate.
7	Are there any other factors or steps you believe are required to calculate the Curtailment Limit, and why?
8	Do you agree that specific provision should be made where a DNO/IDNO Party should not follow the methodology for setting the Curtailment Limit where directed by the Authority not to? If not, please provide your reasons why.
9	Do you agree with the proposed methodology for measuring Curtailment? If not, please provide your reasons why.
10	Do you agree with the proposed approach for reporting Curtailment to a Customer? If not, please provide your reasons why.
11	Do you agree that the reasonable endeavours is appropriate to avoid exceeding a Curtailment Limit, or should best endeavours be used? Please provide your reasons.
12	Do you agree with the proposed approach to utilising tendered (but not contracted) prices for Distribution Flexibility Services, which is additional to the Access SCR Direction requirements? If not, please provide your reasons why.
13	Do you agree with the methodology for setting the Exceeded Curtailment Price? If not, please give your reasons.
14	Do you agree that an uplift of 20% meets the requirement of 'markedly higher'? If not please give your reasons and advise what level you believe the uplift should be set at.
15	With respect to paragraph 6.4 of the proposed new Schedule:

	<p>(a) should the Flexibility Market Price be the 'highest of any Distribution Flexibility Service' or should outliers be excluded? Do you have any alternative suggestions? Please give your reasons.</p> <p>(b) should this be of any Distribution Flexibility Services, or are there some services that should be excluded? Please give your reasons.</p> <p>(c) over what period do you believe prices for Distribution Flexibility Services should be used? Please give your reasons.</p>
16	Do you believe there are any unintended consequences with respect to the proposed methodology for setting the Exceeded Curtailment Price? If so, then please provide details.
17	Do you believe that the Clean Energy Package should be considered as distinct from the Access SCR Decision and Access SCR Direction when developing the solution for this CP? Please provide your explanation.
18	Do you agree with the proposals in relation to the Flexibility Market Price Statement? If not, please provide your reasons.
19	Do you agree with the conversion from £/MVA to £/MVAh using the CDCM as opposed to the CEM? If not, please provide your reasons. Do you have any alternative suggestions that the Working Group should consider?
20	Should the Exceed Curtailment Price be determined and fixed at the time of the Customer accepting their connection offer, or at the time the Curtailment occurs? Please provide your reasons.
21	Do you believe that a separate Exceeded Curtailment Price should be applied for import and export? Please provide your reasons.
22	Should the choice of a separate Exceeded Curtailment Price be at the discretion of the DNO/IDNO Party?
23	Do you agree the provisions of these Regulations should apply to the Curtailment End Date? If not, please provide reasons why.
24	Should these provisions be repeated in full in the 'Form of Curtailable Connection Agreement' which is set out in Appendix B of the proposed new Schedule? Please provide your reasons.
25	Do you agree that this additional paragraph satisfies the intent of the Access SCR Decision?
26	Do you agree that the required changes to the wording in the CCCM should be included in the legal text changes for DCP406?
27	Do you agree with the Working Group in relation to the form of Curtailable Connection Agreement? If not, please provide your reasons.

28	Do you agree with the Working Group in relation to the approach used for incorporating amendments of the applicable NTC section into Appendix 2 of the form of Curtailable Connection Agreement? If not, please provide your reasons
29	Do you agree that a Customer subject to a Curtailable Connection should be required to fund any end control equipment as is applicable to arrangements for Flexible Connections in accordance with Schedule 22? Please provide your rationale.
30	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.
31	Are you aware of any wider industry developments that may impact upon or be impacted by this CP?
32	Do you have any comments on the proposed legal text?
33	Do you have any other comments on DCP 404?

10.2 Responses should be submitted using Attachment 1 to dcusa@electralink.co.uk no later than, **05 September 2022**.

10.3 Responses, or any part thereof, can be provided in confidence. Parties are asked to clearly indicate any parts of a response that are to be treated confidentially.

11 Attachments

- Attachment 1: DCP 404 Consultation Response Form
- Attachment 2: DCP 404 Draft Legal Text
- Attachment 3: DCP 404 Change Proposal Form
- Attachment 4: Worked Example - Curtailment Limit Calculation Modelling Tool