

DCUSA Consultation

At what stage is this document in the process?

DCP 405:

Access SCR: Managing Curtailable Connections between Licensed Distribution Networks

Date raised: 06 May 2022

Proposer Name: Tom Cadge

Company Name: The Electricity Network Company Limited

Company Category: DNO

01 – Change Proposal

02 – Consultation

03 – Change Report

04 – Change Declaration

Purpose of Change Proposal (CP):

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.



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 405 ‘Access SCR: Managing Curtailable Connections between Licensed Distribution Networks’.

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**.

The Working Group will consider the consultation responses and determine the appropriate next steps for the progression of the Change Proposal (CP).



Impacted Parties:
DNOs/IDNOs



Impacted Clauses:
New Clause 52AA in Section 2B Amendments to Schedule 13

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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 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 Users¹), 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.

¹ Small Users is defined in DCP 404 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."

- 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 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 Limit² 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 consideration as a 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

² 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 rolling 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 rolling twelve-month period where the Customer could be required to reduce its Maximum Export Capacity to the Non-Curtailable Export Capacity."

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.

- 2.3 The DCUSA Panel have agreed that this CP also is to be treated as an Urgent Change. It is important that the change is submitted to Ofgem for approval by October 2022 to allow DNOs to meet the obligation placed on them in the Access SCR Direction.
- 2.4 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

- 2.5 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 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.

Question 1 Do you understand the intent of DCP 405?

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

4 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.
- 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 This consultation provides an overview of the discussions held and the proposed solution that has been agreed during those discussions. The Working Group are seeking feedback from the market participants on the proposed legal text that is provided as Attachment 2 to this consultation. 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 within this consultation as to whether industry agree that this is the best approach, or whether a separate BCA document should be included.

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.

- 4.6 The Working Group believe that DNOs 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.

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.

- 4.7 The Working Group discussed the current referencing to Schedule 13 within the draft legal text and agreed that this is not detailed. The Working Group took the decision to leave this open for specific decision to be made on a site-by-site basis.

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.

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 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 405 will be measured against the DCUSA General Objectives, which are 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

- 5.2 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.

- 5.3 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.

- 5.4 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.

- 5.5 Objective 3 is positively impacted as this change forms part of the suite of changes required to deliver the Access SCR Direction.

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.

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 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 404 'Changes to Terms of Connection for Curtailable Customers'](#)
- [DCP 406 'Changes to CCCM'](#)
- [DCP 407 'Speculative Development'](#)

Question 8: 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 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.
- 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 It is proposed to add new Clauses to Section 2B of the main body of the DCUSA (“Distributor to Distributor/OTSO Relationships) and a new Schedule to the model form Bilateral Connection Agreement in Schedule 13. The proposed legal text is provided as an CP.

Text Commentary

- 8.2 The additions to Section 2B of the DCUSA are designed to require distributors to include terms within Bilateral Connection Agreements which facilitate the application of 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.
- 8.3 The new schedule in the template BCA contains some suggested clauses for detailing the requirements of Curtailment at the boundary between distributors to cover the key areas for ensuring that a Customer which is subject to Curtailment receive a like for like experience irrespective of the network which is driving their Curtailment.

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

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

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 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 405?
2	Are you supportive of the principles of DCP 405?
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
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	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.
6	Does the legal text proposed deliver the intent of DCP 405? If not, please provide details of where additions should be made.
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.
8	Are you aware of any wider industry developments that may impact upon or be impacted by this CP?
9	Do you have any comments on the proposed legal text?
10	Do you have any other comments on DCP 405?

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 405 Consultation Response Form
- Attachment 2: DCP 405 Draft Legal Text
- Attachment 3: DCP 405 Change Proposal Form