

DCUSA Change Proposal (DCP)		At what stage is this document in the process?
<h1 style="color: #008080;">DCP 407:</h1> <h2 style="color: #008000;">Access SCR: Speculative Development</h2> <p>Date Raised: 06 May 2022</p> <p>Proposer Name: Brian Hoy</p> <p>Company Name: Electricity North West</p> <p>Party Category: DNO</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 Speculative Developments into the Common Connections Charging Methodology (CCCM) and consequential changes into Schedule 32 (Residual Charging Bands). This CP seeks to address paragraph 16 of the Access SCR Direction.</p>		
	<p>Governance:</p> <p>The Proposer recommends that this Change Proposal should be:</p> <ul style="list-style-type: none"> Treated as a Part 1 Matter Treated as an Urgent Change Treated as an Authority Change Progressed to the Working Group phase <p>The Panel will consider the proposer’s recommendation and determine the appropriate route.</p>	
	<p>Impacted Parties:</p> <p>Suppliers, DNOs and IDNOs</p>	
	<p>Impacted Clauses:</p> <p>Schedule 22 – Common Connections Charging Methodology 1.39 to 1.41</p> <p>Schedule 32 – Residual Charging Bands</p>	

Contents		 Any questions?
1 Summary	3	Contact: Code Administrator
2 Governance	4	 DCUSA@electralink.co.uk
3 Why Change?	5	 020 7432 3011
4 Solution and Legal Text	5	Proposer: Brian Hoy
5 Code Specific Matters	6	 email address brian.hoy@enwl.co.uk
6 Relevant Objectives	6	 telephone 07795447817
7 Impacts & Other Considerations	7	
8 Implementation	8	
9 Recommendations	8	
Indicative Timeline		
The Secretariat recommends the following timetable:		
Initial Assessment Report	11 May 2022	
Consultation Issued to Industry Participants	TBC	
Change Report Approved by Panel	21 September 2022	
Change Report issued for Voting	23 September 2022	
Party Voting Closes	14 October 2022	
Change Declaration Issued to Parties	18 October 2022	
Change Declaration Issued to Authority	18 October 2022	
Authority Decision	November 2022	

1 Summary

What?

- 1.1 On 3 May 2022 Ofgem published its final decision on the Access Significant Code Review (SCR) which can be found [here](#).
- 1.2 Ofgem's work on the distribution connection charging boundary has considered whether current arrangements continue to work in the best interests of consumers – especially considering the need for increased investment associated with the electrification of heat and transport, as well as low carbon sources of generation. Ofgem has concluded that the charging arrangements no longer provide an effective signal for network users, and without change, may slow down the roll-out of low carbon technologies (LCTs) across the energy system.
- 1.3 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. 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 changes to the connections boundary.
- 1.4 Regarding the distribution connection charging boundary, Ofgem has decided to:
 - Reduce the overall connection charge faced by those connecting to the distribution network. This includes (i) removing the contribution to wider network reinforcement for demand connections, and (ii) reducing the contribution to wider network reinforcement for generation connections.
 - Retain and strengthen existing protections for bill payers. This ensures that bill payers will be protected from cost increases associated with the most expensive types of connections. In these instances, the connecting customer will continue to be required to contribute more to the costs of reinforcement.
- 1.5 As part of implementation, Ofgem has directed the DNOs to raise a code modification(s) that will:
 - 1.5.1 Amend the description of speculative developments as currently set out in the CCCM. This should include refining the characteristics in order to ensure consistent interpretation across DNOs, as well as considering more explicit treatment for connections where phased or future expansion may be the most appropriate approach for both the customer and DNO.
 - 1.5.2 Clarify that where capacity caters for future expansion rather than the immediate requirements of an end user, ie for subsequent phases of a project, it does not always have to be treated as a speculative development. This should be subject to DNO discretion based on an evidence-based assessment of the timing and confidence in delivery of future phases of work. Ofgem expects the working group to further develop a clearer indication of the information and criteria that may be taken into account by the DNO in determining whether the connection should be treated as speculative.

- 1.5.3 Clarify that phased developments do not always have to be treated as speculative developments, where the customer can provide sufficient relevant evidence to support this treatment. This should include providing greater clarity on what information is required to determine what is a 'speculative phase' and an 'initial phase' and how the distinction is made.
- 1.5.4 Consideration of introducing a methodology for connections with planned phases or future expansion which would otherwise be deemed speculative, where a case can be made for the cost efficiency and wider network benefit of not treating them as such.

Why?

- 1.6 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 obligations.

How?

- 1.7 Revisions to the existing drafting describing speculative connections will be required.
- 1.8 Changes to Schedule 32 will be needed to ensure that phased capacity developments are allocated to a residual charging band appropriately to reflect phased demand requirements

2 Governance

Justification for Part 1 or Part 2 Matter

Requested Next Steps

- 2.1 This Change Proposal should:
 - Be treated as a Part 1 Matter;
 - Be treated as an Urgent Change;
 - Be treated as an Authority Change and
 - Proceed to the Working Group phase.
- 2.2 The implementation date directed in the Access SCR Decision is 1 April 2023 to align with the start of the RIIO-ED2 Price Control Period. The time available from the Access SCR Decision to this implementation date is therefore short. This therefore meets criteria 10.7 (A Change Proposal should be treated as urgent if it relates to a current or imminent issue that if not urgently addressed may cause one or more Parties to be in breach of the Relevant Instruments or other law) as failure to meet the implementation could put DNOs at risk of being in breach of a Relevant Instrument (i.e. the distribution licence in this case). This CP cannot be withdrawn without the Authority's consent to do so
- 2.3 The Ofgem Access SCR decision has an implementation date of 1 April 2023.

- 2.4 In order to ensure that the Proposal(s) is/are capable of implementation by 1 April 2023, in its Direction, Ofgem directed the DNOs present to it a detailed plan no later than 31 May 2022. This plan should set out how they intend to work with other DNOs and other relevant industry stakeholders to ensure that the Proposal(s) is/are submitted to Ofgem for decision no later than 31 October 2022.

3 Why Change?

- 3.1 As noted this CP seeks to make the necessary modifications to the DCUSA in relation the CCCM to implement the changes to the connection charging boundary arrangements set out in the Access SCR Decision, in particular with reference to speculative connections. Specifically, this change has been raised to address paragraph 16 of Ofgem’s Access SCR Direction, which has been set out below for reference:
- 16) *The Proposal(s) should include amendments to the description of Speculative Developments, as defined in the CCCM. These amendments should include consideration of the following:*
- i) Greater clarity on the characteristic “the capacity requested caters for future expansion rather than the immediate requirements of (an) end user(s)”, provided through clearer indication of the information required to determine whether the connection should be treated as speculative.*
 - ii) Greater clarity on the characteristic “the capacity requested caters for future speculative phases of a development rather than the initial phase(s) of the development”, provided through clearer indication of what constitutes a “speculative phase” or an “initial phase”, and what information is required to determine this distinction. This should include clarification that phased developments are not always treated as speculative developments where the customer can provide sufficient relevant evidence.*
 - iii) Consideration of introducing a methodology for connections with planned phases or future expansion which would otherwise be deemed speculative, where a case can be made for the cost efficiency and wider network benefit.*
- 3.2 Failure to develop this proposal 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.

4 Solution and Legal Text

Legal Text

- 4.1 The draft legal text will need to be reviewed as part of the working group.

Speculative Developments

- 1.39 Developments which have one or more of the following characteristics may be considered as speculative:

- their detailed electrical load requirements are not known;
- the development is phased over a period of time and the timing of the phases is unclear;

- the capacity requested caters for future expansion rather than the immediate requirements of (an) end user(s);
- the capacity requested caters for future speculative phases of a development rather than the initial phase(s) of the development; or
- the infrastructure only is being provided, with no connections for end users requested.

1.40 Where we are asked to provide a connection to a speculative development then the cost of the work including any Reinforcement is charged in full and the CAFs do not apply. Additional charges to reflect ongoing operation, repair and maintenance costs may also be levied.

1.41 We may, at our sole discretion, allow capacity to be reserved on the infrastructure provided to service the speculative development on the commercial terms agreed between you and us in respect of the development.

Text Commentary

4.2 The legal text needs to be developed to fulfil the intent of the Ofgem decision in terms of changes to connections charging for speculative connections. Consequential changes to the legal text in Schedule 32 will also be needed to ensure that phased capacity developments are allocated a residual charging band appropriately to reflect phased demand requirements.

5 Code Specific Matters

Reference Documents

5.1 Ofgem Decision and Direction on Access SCR which can be found [here](#).

6 Relevant Objectives

	DCUSA General Objectives	Identified impact
<input type="checkbox"/>	1. The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks	None
<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	None

<input type="checkbox"/>	3. The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences	None
<input type="checkbox"/>	4. The promotion of efficiency in the implementation and administration of the DCUSA	None
<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

	DCUSA Charging Objectives	Identified impact
<input checked="" type="checkbox"/>	1. That compliance by each DNO Party with the Charging Methodologies facilitates the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence	Positive
<input checked="" type="checkbox"/>	2. That compliance by each DNO Party with the Charging Methodologies facilitates competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity or in participation in the operation of an Interconnector (as defined in the Distribution Licences)	Neutral
<input checked="" type="checkbox"/>	3. That compliance by each DNO Party with the Charging Methodologies results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business	Neutral
<input checked="" type="checkbox"/>	4. That, so far as is consistent with Clauses 3.2.1 to 3.2.3, the Charging Methodologies, so far as is reasonably practicable, properly take account of developments in each DNO Party's Distribution Business	Neutral
<input type="checkbox"/>	5. That compliance by each DNO Party with the Charging Methodologies facilitates 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; and	None
<input checked="" type="checkbox"/>	6. That compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	Negative

- 6.1 This change is to comply with an Ofgem direction arising from its Access SCR Decision and Direction and therefore directly supports Objective 1.
- 6.2 The change could introduces different charging arrangements for speculative and non-speculative connections and therefore adds more complexity into the assessment of the type of connection so that the appropriate charging regime can be applied.

7 Impacts & Other Considerations

7.1 None

Does this Change Proposal impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

7.2 This change potentially removes/reduces the locational charge associated with new connections, this may be something that will be considered in the Forward Looking Charges phase of the Access SCR.

Does this Change Proposal Impact Other Codes?

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

Consideration of Wider Industry Impacts

7.3 The issue has been subject to a number of industry consultations as part of the Access SCR process. In addition the ENA has held one briefing session for parties interested in joining a DCUSA working group on these changes and plans to hold another prior to the formal change process commencing.

Confidentiality

7.4 No parts of this CP are confidential.

8 Implementation

Proposed Implementation Date

8.1 1 April 2023.

9 Recommendations

The Code Administrator will provide a summary of any recommendations/determinations provided by the Panel in considering the initial Change Proposal. This will form part of a Final Change Report.