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Via email:
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Dear Patrick

Consultation to descope the wide-ranging review of Distribution Use of System (DUoS) charges from the current Electricity Network Access and Forward-Looking Charges Significant Code Review (SCR) and take it forward under a dedicated SCR with a revised timescale

SSE's Energy Businesses welcome the opportunity to respond to this consultation. SSE's Energy Businesses comprise the generation assets developed, owned and operated by SSE Renewables and SSE Thermal; Business Energy, SSE's non-domestic energy supply business; and the distributed energy solutions provided by SSE Enterprise. In this response, the terms "SSE's Energy Businesses", "SSE" and "we" are used interchangeably.

For the avoidance of doubt, this response does not represent the views of SSE's Networks Businesses (SSEN Transmission and SSEN Distribution).

Responses to the consultation questions are contained in Appendix 1. I trust they prove useful.

SSE would welcome the opportunity to meet with Ofgem and discuss this response further. In the meantime, please do not hesitate to contact me with any queries or requests for clarification.

Yours sincerely

Amrik Bal

Group Regulation Strategy

Appendix 1

1. Do you agree with our proposal to descope DUoS from the Access SCR and take it forward under a dedicated SCR with revised timescales?

Continuing the Access and Forward-Looking Charges SCR in its current form would delay the access reforms set out in this summer's minded-to decision from Ofgem. A consequence would be that changes could not be aligned with the start of RIIO-ED2 given the SCR framework does not currently permit a phased implementation of decisions.

This potential procedural flaw should be reviewed with future SCRs in mind. The currently available approach to de-scope the ongoing SCR and potentially initiate a further SCR only adds to the already considerable delays of the long-awaited DUoS reforms. SSE would make two points:

- the proposals should have explored alternatives to a new SCR - one example would have been the Taskforce option as discussed in Ofgem's recent Call for Evidence on TNUoS reform.
- in the event of a new SCR, it is vital not only to hear what lessons have been learnt from previous exercises but also how they have been applied, eg. realistic scoping and achievable timelines.

2. What are your views on timescales for implementation of DUoS reform? How does this interact with wider market developments and what do we need to consider?

SSE agrees with the intention to revisit several fundamental principles-based and technical topics. Such a step would enable adjustments that reflected shifts in policy prioritisation towards Net Zero. Additionally, it would enable issues that have so far received insufficient consideration, eg. financially firm access at distribution level, to be included as part of the review.

However, such an approach requires an extensive and lengthy consultation process that would likely preclude an implementation date of April 2025 (as envisaged by Ofgem, with most of the policy work taking place in 2022). Aligning with the various other ongoing and interlinked policy initiatives would only exacerbate this situation.

Any fundamental network charging reforms will require considerable change to the regulatory framework, as well as subsequent industry-wide system and process changes. Ofgem should not underestimate the work involved and resources required. Moreover, coupled with the 15

plus 3 months' notice period for DUoS charges, a more realistic view is required regarding the time needed for both implementation and for industry to adjust to the changes.

Key areas where the DUoS reforms interact with the following other policy areas include:

- *Full Chain Flexibility*

The consultation letter refers to the close linkage between any DUoS reforms with Ofgem's Full Chain Flexibility work (which is 'currently taking shape'), as well as work on the decarbonisation of heat and transport. Ofgem should provide development timelines in these other areas, along with details any interaction with the DUoS reforms. This information would allow for a fuller assessment of the impact on the DUoS reforms.

- *BEIS' Alternative Energy Markets Programme*

SSE would like to also understand how [BEIS' Alternative Energy Markets](#) Programme fits alongside the DUoS review. We note BEIS' view that to facilitate cost-effective decarbonisation, upstream network (and policy) charges might be recovered differently in the future, for example in ways that more accurately reflect the system costs and carbon emissions impacts that result from consumer energy choices.

- *Market-wide Half Hourly Settlement (MHHS) reforms*

The MHHS arrangements, currently planned to transition between October 2024 and September 2025, appear to cut across the suggestion that new DUoS arrangements could be introduced in April 2025. Given the interaction between the two areas, any reforms to the latter should only be introduced after the full implementation of the MHHS programme:

- o two large charging and settlement reforms place a lot of risk on parties' systems and processes, potentially affecting their capacity to deal with changes that could be impacting the same areas of code within their IT systems.
- o TNUoS, BSUoS and DUoS charging reforms are often unclear to customers and a source of confusion - given that they would likely take time to understand the full impacts of the MHHS reforms, customers should not have to face two major charging and settlement reforms within the same year.
- o revising the DUoS reform timeline by a year (giving until 2023 to reach a more considered decision, with implementation in April 2026) would fit better with the current proposed MHHS programme implementation timescales.

Therefore, Ofgem should provide a detailed roadmap for all closely linked policy initiatives, highlighting time-sensitive dependencies. Such a process would allow for better visibility and credibility of the DUoS reform delivery timelines.

3. What areas of interactions of DUoS with wider developments in policy/industry do we need to consider in our review?

Decarbonisation as an objective

When the original SCR was launched three years ago, Ofgem agreed with stakeholders that supporting decarbonisation was vital but did not think it should be a specific SCR objective (as called for by some respondents). The current consultation suggests this remains Ofgem's position. However, events during the intervening period, namely the increasing impetus to ensure that Net Zero is achieved by 2050, only emphasize the need for decarbonisation (at least cost to the consumer) to be an explicit objective of DUoS reform.

Wider TNUoS reforms

The DUoS and wider TNUoS reforms (as per Ofgem's recent Call for Evidence) should be managed separately, partly to avoid the recent SCR issues. However, both sets of reforms should be closely aligned, based on common principles and focussing on achieving Net Zero.

This does not necessarily mean a one-type-fits-all approach. SSE favours solutions that are pragmatic and tailored to the current characteristics of their network level, target groups and technologies. In this way, economic price signals should only be provided to generators, or demand, where they are genuinely useful for better facilitating Net Zero at best value.

At the same time, remaining competitive distortions addressed, including those between generators connected to the transmission system, distribution system, behind customer meters and in interconnected markets, should be addressed. A principles-based and dynamic approach to both TNUoS and DUoS reforms could help avoid unintended consequences.

4. Have we considered all the impacts of a phased approach to delivering the original scope Access SCR?

We believe that we have covered this point in our replies above.

5. *Do you have any views on our proposal to retain the scope and governance arrangements of the original Access SCR?*

We have commented on the scope under question 2.

We note that Ofgem envisages issuing a direction to the relevant licensee(s) to raise the relevant code modification proposal(s) at the end of the SCR process. We do not currently have any comments on this approach.

6. *Do you have any other information relevant to the subject matter of this consultation that we should consider?*

We don't currently have any other information to add.