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21 February 2022

Dear Patrick,

**Energy Network Association's response to Ofgem's consultation on Access SCR Updates to Minded to Positions.**

Thank you for the opportunity to respond to your consultation on the updates to the Minded to Positions. Energy Networks Association (ENA) is the industry body representing the UK's electricity and gas transmission and distribution network operators. This response sets out a collective view from ENA members. Some ENA member companies may additionally respond individually to the consultation.

In August 2021 ENA established two Implementation Working Groups, one focused on access rights and the other on connection boundary reforms. These groups are formed of representatives from the Distribution Network Operators (DNOs), Independent Distribution Network Operators (IDNOs), the National Grid Electricity System Operator (ESO), Ofgem and ElectraLink. As noted in the consultation, these groups have provided Ofgem with a series of recommendations on the areas of outstanding policy development required to ensure effective implementation of the proposals by April 2023. These proposals included a series of Distribution Use of System (DUoS) mitigations to limit exposure of DUoS billpayers to significant price rises as a direct result of the proposed reforms. We anticipate that the majority of the reforms (based on the Minded to Positions) will be implemented within the Distribution Connection and Use of System Agreement (DCUSA) and the associated schedules including Schedule 2B the National Terms of Connection, and Schedule 22 the Common Connection Charging Methodology. This assumption is reflected in the timeline later in this response.

Given the input already provided to the latest Minded to Positions we won't respond to the detailed questions, leaving that to individual members. However, we do have three key areas where our members believe a collective response is necessary and which are set out below.

Firstly, we believe the decision not to introduce a cap on the price of flexibility payments in situations where curtailment limits have been exceeded risks imposing unlimited liabilities on companies, resulting in higher costs to the wider customer base. In these situations, the price demanded by flexibility providers who are aware they are the only solution could far outweigh any

economic assessment of the value; prices offered should reflect the economic and efficient value of operating the distribution system. In addition, such an approach will undermine the practical application of the reforms as curtailment limits may need to be set conservatively in response to the risk. It is also questionable whether any Licensee could sign up to such contracts given the exposure to such a commercial risk. We will continue to work with Ofgem to identify workable solutions which avoid excessive costs and ensure a successful outcome of these reforms. To be clear we are not suggesting introduction of a backstop on the total payments but a cap on the unit price of flexibility payments.

Secondly, we are pleased that Ofgem have acknowledged the potential issues Licensees could face following implementation of these reforms to their ability to issue quotations in the required timescales. SLC12 applies to every connection offer and is a breach if the 65 working days are not met. Licensees are committed to working both internally and collectively as an industry with Ofgem to ensure the expected increase in the volume of connection applications can be handled with minimal impact to customer experience as we transition to these new arrangements. However, to avoid undue regulatory burden in the early period of implementation, we suggest that this is suspended for a period of at least a year. DNOs are required to report on the number of connection offers that go out over this time and this would give Ofgem visibility of the impact of the proposed reforms. Note that Guaranteed Standards would still be in place and customers would be receiving payments for any offers that go out over these timescales and this acts as an incentive for DNOs to issue the offer as quickly as possible. SLC15 is measured as needing to achieve 90% of connection offers meeting the standards within the regulatory year. The simplest approach would be to derogate against this part of the standard for at least a year as well. SLC15A is measured by needing to achieve 90% of the connection offers meeting the standards in each quarter. Issues would arise in Quarter 2 and subsequent quarters as the pass/fail status is assessed when the connection offer is actually issued. Again, it is suggested that temporary derogations are also put in place for at least a year.

Finally, we have set out the key phases of the implementation timeline from April 2022 to April 2023 (see Table 1 below) and note two key dependencies required to ensure this timeline is achievable.

Taking learnings from the Targeted Charging Review (TCR) implementation and data on DCUSA change process timings in 2020, we have factored in 5 months from the point the DCUSA Change Proposals are raised through to the Change Declaration being issued for Authority approval. This is a highly accelerated Change Proposal timeline and assumes minimum and efficient Working Group time at the Definition stage in particular. There were DCUSA Change Proposals in 2020 that took up to 10 months at the Definition stage. This accelerated and ambitious timeline is required to provide sufficient time later in the year and into 2023 for DNOs and IDNOs to undertake internal training and implement system and process changes. The timeline also assumes that the Change Proposals will be approved by the Authority within 25 Working Days as per the previous voluntary Service Level Agreement arrangements. Ofgem needs to be actively involved in the Working Groups, reviewing the proposals as they are being developed, to ensure that they are meeting their requirements and are capable of being approved.

**Table 1: Access SCR Implementation Timeline**

Area	Milestone	Timings
Ofgem Policy Decisions and Sign-off	Minded to consultation closes	21 February 2022
	Ofgem review responses	Early March 2022
	Ofgem present Final Decision to GEMA for approval	8/9 March 2022
	Publication of Final Decision	Late March 2022
Code and Licence Changes	Raise DCUSA Change Proposals modifications & Licence Changes	April 2022
	DCUSA Change Proposals Working Groups progress required changes (including consultations)	April – July 2022
	DCUSA Change Proposals Change Reports presented to DCUSA Panel for approval to issue for DCUSA Party voting	August 2022
	DCUSA Change Declarations issued to the Authority for decision	September 2022
	Statutory consultation on Licence Changes	Q3 2022
	Authority decision on DCUSA changes	October 2022
	Networks internal training and process changes	October 2022 – March 2023
	Complete implementation – reforms take effect	April 2023
Legislative Changes	Consultation on ECCR changes	April 22
	Secondary consultation on ECCR changes	TBD
	ECCR changes take effect	April 2023

This timeline is conditional on a number of factors not least adequate resourcing of the Change Proposal Working Groups by the networks and wider industry stakeholders. This is something we are cognisant of and have worked with ElectraLink (the DCUSA secretariat) to mobilise standard practices well ahead of time, with meeting invitation placeholders for up to 4 meetings a week scheduled between April and July to gather interest and nominees for the Working Groups in advance of the final decision. Two further dependencies which we believe are high risk are:

1. **The timing of the final decision** – If the publication of the final decision was delayed beyond the end of March 2022 this would create a significant risk of there not being adequate time to complete the necessary implementation activities by April 2023. Following the review of the responses to this consultation and the Gas and Electricity Markets Authority (GEMA) meeting in early March we would welcome an update from Ofgem on the likelihood of any delays and note that any delays beyond early April would require a reassessment of the plan and engagement with the Department for Business, Energy and Industrial Strategy (BEIS) on the time required for the Electricity Connection Charge Regulations (ECCR) changes. As identified in the table above, the implementation timeline for code and licence changes is already extremely tight and we cannot afford for outstanding policy decisions to distract from the implementation work required.
2. **Adequate detail in the final decision on the process to define curtailment** – In relation to question 3c of the consultation, we agree that a process should be defined to ensure

curtailment limits are set in a consistent way. Paragraph 3.29 of the consultation refers to DNOs being '*well-placed to define and agree how curtailment limits are defined in a consistent manner across networks*'. This process is being developed within the Access Rights Implementation Group and we believe it is key that the final decision includes at a minimum, the principles to set curtailment limits. If this is not very clearly defined at this stage and is referred for definition within the code change Working Groups, then the development stage could take significantly longer than currently allowed for in the plan.

The networks are committed to the resourcing of the current implementation working groups and will continue to work at pace and in collaboration with Ofgem to provide the necessary data and policy development for input into the final decision. We are also committed to supporting the code modification process, targeting preparation of draft DCUSA Change Proposals, and associated legal text for presentation to the DCUSA Panel at the earliest opportunity following the publication of the final decision.

Yours sincerely,



**David Smith**

Chief Executive, Energy Networks Association