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for energy consumers

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To: Electricity distribution network operators, code panels, industry bodies and other interested parties

Dear stakeholder,

Clarification of the Direction from the Access and Forward-Looking Charges Significant Code Review.

On 3 May 2022, we¹ issued our Final Decision and Direction to conclude the Access and Forward-Looking Charges Significant Code Review (the 'Access SCR')². Our Direction required holders of an electricity distribution licence (the 'DNOs')³ to raise one or more proposals to modify the Distribution Connection and Use of System Agreement⁴ to give effect to our reforms. Since publishing our Direction, an inconsistency in a particular section of the Direction text has been raised. We are issuing this letter to clarify the wording of the Direction and ensure licence holders are aware of our expectations.

The section of the Direction which is inconsistent with both our Decision (see paragraphs 3.26 and 3.56) and other parts of our Direction, is **14 (ii)**:

*"Where the Generation high-cost project threshold is exceeded, the sum of Reinforcement costs at the voltage of the Point of Connection and the voltage above in excess of the threshold should be paid in full by the customer. Reinforcement costs below the threshold should be apportioned between the customer and the DNO using the existing cost apportionment factor methodology set out in the CCCM, **including where these costs are at the voltage above the Point of Connection.**"*

The final sentence of this paragraph of the Direction (emphasised in bold above) is inconsistent with our policy intent. As drafted, this sentence suggests that reinforcement for generation below the High Cost Cap threshold at the Point of Connection and the voltage above will be apportioned between the customer and the DNO. However, our policy intent is that reinforcement costs for generation below the High Cost Cap should be

¹ Ofgem is the Office of the Gas and Electricity Markets Authority. The terms "Ofgem", "we", "our" and "us" are used interchangeably in this letter to refer to Ofgem, which supports the GEMA, the Gas and Electricity Markets Authority, in its day-to-day work.

² [Access and Forward-Looking Charges Significant Code Review: Decision and Direction | Ofgem](#)

³ The Direction used the term "DNOs" to refer to both IDNOs and DNOs, excepting where these groups are subject to specified different treatments.

⁴ The latest version of the Distribution Connection and Use of System Agreement (currently v14.1) is available here: <https://www.dcsa.co.uk/dcsa-document>

apportioned between the customer and the DNO at the Point of Connection only, and **not** include the voltage level above, which should be fully funded by the DNO.

We therefore wish to clarify that the end of the final sentence in paragraph 14(ii) of the Direction ("**including where these costs are at the voltage above the Point of Connection**") should instead read as "**at the Point of Connection only, in line with our direction regarding changes to the generation connection boundary**".

As such, when applying the Direction, licence holders should interpret section **14 (ii)** of our 3 May 2022 Direction to read as follows:

*"Where the Generation high-cost project threshold is exceeded, the sum of Reinforcement costs at the voltage of the Point of Connection and the voltage above in excess of the threshold should be paid in full by the customer. Reinforcement costs below the threshold should be apportioned between the customer and the DNO using the existing cost apportionment factor methodology set out in the CCCM **at the Point of Connection only, in line with our direction regarding changes to the generation connection boundary** (as stated in section 14(i), (iii))."*

Yours faithfully,

Eleanor Wood

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