



Making a positive difference
for energy consumers

To all parties with an interest in
electricity network charging and
connection arrangements

Eleanor Warburton
Interim Director
Energy Systems Management and Security

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Open letter regarding prioritisation of electricity network charging and connections activity

In November 2022, at a time of unprecedented market conditions, we¹ published an open letter setting out our prioritisation of activities on electricity network charging and connections over the winter.² We set out the reasons for deferment of certain areas of work in the short term and outlined how we would prioritise our resources to those areas where we considered there was most value for consumers. We are now providing an update on that position.

Transmission charging

Our work on transmission charging reform with respect to forward-looking charges sits across two programmes of work – near-term reform out to the late 2020s supported and coordinated by the **TNUoS (Transmission Network Use of System) Taskforce**; and longer-term reform (late 2020s into 2030s) which specifically works alongside Government and their Review of Electricity Market Arrangements (REMA) and is led by our **Strategic Transmission Charging Reform** programme. Both work programmes are considering the purpose of, and appropriate regime for, TNUoS charges and the signals sent to market participants but do so in potentially different contexts of wider market design.

We consider that the same, or a similar set of principles should apply to both programmes of work but that wider changes in market design may lead to different

¹ “we”, “our”, and “us” may refer interchangeably to either the Gas and Electricity Markets Authority or to Ofgem as the context requires.

² [Open letter - Prioritisation across Electricity Network Charging \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/open-letters/prioritisation-across-electricity-network-charging)

outcomes for the shape and nature of TNUoS in the long-term, whereas the immediate issues reported by network users are less contingent on changes to the wholesale market. As such, we believe it remains practical to conduct the Taskforce work separately from Strategic Transmission Charging Reform. We believe that containing the scope of near-term reform will enable industry and Ofgem to focus on a discrete set of changes that aim to make TNUoS more stable and predictable and move to implement the necessary changes quickly.

We continue to believe that TNUoS can play is that of a useful long run investment signal. It is our view that parties should face charges which reflect the relative cost or benefit they confer to the system, based on the choices they make, such as technology type and specific location. We believe that this is still relevant in the context of greater degrees of network planning and anticipatory investment, given TNUoS' ability to deliver both macro and micro-level signals to network users.

The **TNUoS Taskforce** will continue to focus on addressing concerns regarding the stability and predictability of TNUoS charges. Responses to our Call for Evidence in October 2021 stated that unpredictability in TNUoS charges is a perceived barrier to investment, and that there are outdated assumptions as to how the network is built and used, underpinning those charges. The Taskforce is considering the extent to which change is needed, and how it should be delivered in terms of ensuring the TNUoS regime is fit-for-purpose for the system we have today and will have over the next decade.

In our letter last year, we noted the need to pause the meetings of the TNUoS Taskforce and asked the ESO (Electricity System Operator) to take forward analytical work on a set of priorities agreed by the Taskforce. As set out in our letter on 3 March we have now reinstated the meetings of the Taskforce.³ Resuming the TNUoS Taskforce meetings in April, we expect ESO to share its findings of the work undertaken while meetings were paused, and we believe the Taskforce itself should review priorities and agree a work programme that targets implementation of change between 2024 and 2026 (at the latest). We appreciate the work undertaken by and on behalf of the ESO in supporting ongoing improvements to TNUoS arrangements – both the work needed to address near-term issues and to consider the future of transmission charging. We recognise there are a range of code modifications in this space and will continue to review the sequencing of these with regard to Ofgem's assessment.

³ [tf-resume-letter.pdf \(chargingfutures.com\)](#) with meetings restarted as of 26 April 2023

Our **Strategic Transmission Charging Reform** programme is exploring the role of TNUoS in the context of different options for wholesale market design under consideration by REMA. We intend to publish an open letter on our thinking on longer-term design of TNUoS arrangements, and subsequently seek input on a longlist of TNUoS reform options. We will continue to revise our work and timings depending on how the government's REMA programme progresses.

Distribution charging:

Following the implementation from 1 April 2023 of the suite of code modifications⁴ resulting from the Access SCR (Significant Code Review) final decision that we published in May 2022,⁵ we are relaunching our work on **the Distribution Use of System Significant Code Review** (DUoS SCR).⁶ The DUoS SCR will consider whether the methodology underpinning DUoS charges could be improved, noting the need for arrangements that are consistent across transmission and distribution, while reflecting the differences in the systems.

Our review will consider how distribution charges can support efficient use and development of the network, recognising the importance of competition and supporting decarbonisation. This includes the balance between usage-based and other charges, as well as the possibilities presented by time-of-use and locational signals to better reflect network costs and benefits. We will also consider a range of other important issues, such as the predictability of some charges. The practicality and proportionality of the arrangements and the nature of electricity as an essential service will play a central role in our review.

We will begin this work with a brief review of recent developments in the arrangements that could impact the scope of the DUoS SCR. We aim to set out timelines and further details on our planned engagement with industry by early summer 2023.

⁴ Five complementary change proposals were brought forward for decision by the Authority, which collectively aim to implement the Access Decision. DCP406 and DCP406A were sent back for further work and resubmitted. All modifications have now been approved and were implemented on 1 April 2023. These change proposals are set out below.

[Decision on DCP404 – Access SCR Changes to Terms of Connection for Curtailable Customers | Ofgem](#)
[Decision on DCP405 – Access SCR Managing Curtailable Connections between Licensed Distribution Networks | Ofgem](#)

[DCP406 and DCP406A – Access SCR Changes to CCCM Authority decision to send back | Ofgem](#)

[Decision on DCP406 - Access SCR Changes to CCCM | Ofgem](#)

[Decision on DCP406A – Access SCR Changes to CCCM | Ofgem](#)

[Decision on DCP 407 Access SCR Speculative Developments | Ofgem](#)

⁵ [Access SCR - Final Decision \(ofgem.gov.uk\)](#)

⁶ [Distribution Use of System Charges: Significant Code Review Launch | Ofgem](#)

Electricity Connections:

There is scope for significant reform to the connections process, which currently sees some customers experiencing significant connection delays, to better enable it to function in an energy system that is seeking to accelerate towards net zero.

We have been progressing work on **Electricity Connections** over the last few months - alongside the ESO, Network Owners, and the Department for Energy Security and Net Zero - to put in place some immediate measures and to then examine whether broader changes to connections processes could better facilitate timely connections. We have supported short-term initiatives such as the two-step offer process⁷ to improve connection dates for parties. The Access SCR has resulted in wide-ranging reforms to improve consistency and certainty of access rights and reduced the charges which some customers pay to connect to the distribution system.

In the coming weeks we will publish more information setting out the case and focus for further change to the existing connections process, our vision for reform and the principles we will use to guide our work.

Other activities

In addition to the above, we will be continuing work on other charging-related activities, including but not limited to:

- Offshore charging arrangements, in the context of the Holistic Network Design;
- Further proposed changes to the fixed BSUoS (Balancing Services Use of System) arrangements;
- Continuing to ensure that demand residual charging arrangements remain fit-for-purpose;
- Ensuring charging arrangements for electricity storage are appropriate.

Coordination of our charging and connections workstreams:

There is a significant programme of work across multiple Ofgem departments. The below table indicates the Ofgem management team responsible for each piece of work:

Programme	Portfolio	Deputy Director
DUoS SCR	Market Design	Jack Presley Abbott
Strategic Transmission Charging Reform		

⁷ [Ofgem support for new Two Step Offer connections process | Ofgem](#)

Connections inc. live modification proposals under CUSC (Connection and Use of System Code) and DCUSA (Distribution Connection Use of System Agreement) ⁸		
TNUoS Task Force	Market Operations and Signals	Charlotte Friel
Live charging-related code modification proposals (generally CUSC and DCUSA)		
Storage		
Offshore charging		
Residual Charges		
BSUoS reform		

This allocation of activities is correct at time of publication, and we will publish the wider Energy Systems Management and Security (ESMS) organisation chart in due course and share with stakeholders. We may further flex resources to high priority work, and we will communicate any material changes.

As we set out in our open letter in November 2022, we ensured Code Administrators were aware of how our prioritisation approach impacted individual code modifications. We now expect to resource active mod proposals to the extent possible and will update Expected Decision Dates within our Code modification proposal tracker table.⁹ We will keep our resourcing of these under review, notifying Code Administrators of any specific impacts.

We are keen to engage with a wide range of industry and interested parties, to draw on experience and expertise, and will shortly be communicating with you further about refreshing and reinstating the Charging Futures Forum. In the interim, please do contact us should you wish to discuss any charging-related matters.

Yours faithfully,

Eleanor Warburton

Interim Director, Energy Systems Management and Security

⁸ Generally, changes relating to the CUSC or DCUSA will be sufficient to enact relevant charging changes, however there are on occasion changes to other industry codes, such as the BSC or STC which support charging activities, and which will therefore sit alongside the charging methodology amendments

⁹ <https://www.ofgem.gov.uk/publications/code-modificationmodification-proposals-ofgem-decision-expected-publication-dates-timetable>