



Making a positive difference  
for energy consumers

To distribution exemption holders (licence exempt network operators), licensed distribution networks, generators, parties to DCUSA, suppliers, customers and their representatives, and other interested parties

Direct Dial: 0207 901 1861  
Email: [licence.exempt@ofgem.gov.uk](mailto:licence.exempt@ofgem.gov.uk)

Date: 16 August 2013

Dear colleague

**Consultation on Distribution Connection Use of System Agreement (DCUSA) change proposal (DCP) 124: Third Party Network - National Terms of Connection**

We are seeking views on the proposed changes to DCUSA which would add a new section to the National Terms of Connection (NTC) to cover connections between a licensed electricity distributor<sup>1</sup> and a network operated by a licence exempt network. Throughout this consultation the latter are referred to as Distribution Exemption Holders (DEHs<sup>2</sup>).

The change proposal DCP124 and other associated documents are available to view [here](#) and should be read alongside this consultation. A DCP124 working group, established to assess this proposal, has already carried out two stakeholder consultations. These consultations are also available to view at the link above.

We are aware that if approved, this proposal would introduce a number of new obligations on DEHs and may impact upon a range of other stakeholders. We recognise that in developing this proposal the DCP124 working group attempted to engage as many parties as possible. This included inviting interested parties to participate in the working group, consulting twice on the proposal and making changes to the proposed solution in response to these consultations. However, we remain concerned about the lack of response to the previous consultations, in particular from DEHs, customers on licence exempt networks and suppliers.

Before we make our decision on whether to accept or reject this proposal we want to ensure we have taken full account of the views of those who might be affected. We are therefore seeking views on DCP124 and in particular on the potential impacts and benefits of the proposal. A number of detailed questions were raised in the previous two consultations issued by the DCP124 working group and you may want to refer to these to highlight any specific views you have.

---

<sup>1</sup> Licensed distributors are also referred to as Distribution Service Providers (DSPs).

<sup>2</sup> DEHs can also be referred to as Licence Exempt Network Operators (LENOs); and note that within the DCP124 Change Report they are referred to as Private Network Operators (PNOs).

## Background

There are a total of 19 Distribution Licence holders in Great Britain. Licensed distributors require that the customers of already constructed or newly constructed connections enter into an agreement (a "Connection Agreement") with them to govern the terms and conditions for the use of the connection. Licensed distributors enter into such an agreement in one of two ways: either by negotiating a bilateral agreement with the customer, or, where there is no bilateral agreement, through the NTC. The current NTC is available at [www.connectionterms.co.uk](http://www.connectionterms.co.uk).

Under the terms of the DCUSA, suppliers entering into contracts with customers, for the supply or purchase of electricity, are obliged to incorporate whichever agreement is in place (bilateral or NTC) into all such contracts. As a result all connections are covered by a form of Connection Agreement.

The Electricity and Gas (Internal Markets) Regulations 2011 ("the Regulations")<sup>3</sup> introduced new provisions into the [Electricity Act](#) ("the Act"). These provisions imposed new obligations on DEHs to provide third party access to their distribution networks. This was to enable customers on these networks to be able to choose their own supplier. Schedule 2ZA of the Act provides for the duties and obligations of the DEHs.

DCP124 proposes that a new section is added to the NTC. This section would apply to DEH connections to a licensed distributor's network where the DEH does not have a bilateral agreement in place, or if the original bilateral connection agreement cannot be found or has lapsed. This section would apply to both existing and new DEH connections to a licensed distributor's network.

The new section clarifies DEHs' responsibilities in respect of disconnection and de-energisation and sets out licensed distributor rights of access. The proposal is also designed to clarify the requirements on the DEH regarding arrangements for metering where there is no meter at the boundary interface between the licensed distributor and the DEH (the Regulations specify that the DEH must consider metering arrangements when one of its customers requests third party supply - this is because accounting for units of electricity flowing between the licensed distributor and the DEH may become an issue when more than one supplier is involved in supplying the customers connected to a DEH's network).

The working group concluded there were benefits to approving DCP124, believing it would lead to:

- A more efficient distribution system
- Standard terms for connecting to DEH networks that are clearly understood by all parties
- A reduction in the number of bilateral agreements required if the number of DEH networks were to increase in the future, and therefore more efficient administration of the arrangements, and
- Ensuring the same terms for connecting survive change of ownership efficiently.

However in developing this proposal a number of associated issues have also been raised. At the voting stage of the process, the DCUSA Parties voted overall to "Reject" this proposal. However there were differences between the level of support between licensed distribution networks and suppliers.

---

<sup>3</sup> The Electricity and Gas (Internal Markets) Regulations 2011 can be found [here](#). These regulations came into force in November 2011.

## Next Steps

The closing date for responses to this consultation is Friday 11 October 2013. All responses should be sent to [licence.exempt@ofgem.gov.uk](mailto:licence.exempt@ofgem.gov.uk). We will publish all non-confidential responses on our website. If you do not wish all or part of your response to be made public, you should clearly mark your response as confidential. If you are submitting confidential material, it would be helpful if this could be confined to an appendix so that the main body of the response can be published.



**James Veaney**

Head of Distribution Policy  
Smarter Grids & Governance