Making a positive difference
for energy consumers

Consumers and their representatives, electricity generators, distributors, transmission licensees, electricity supply licence holders, code panels, industry bodies and other interested parties

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Dear Stakeholder,

Electricity Network Access and Forward-Looking Charging Review - Significant Code Review launch statement and decision on the wider review

This letter launches a Significant Code Review (SCR)[1] which we will lead on electricity network access and forward-looking charging arrangements.[2] We also explain our decision on the scope and approach for a review into several wider elements - access right allocation and balancing services charges - which we are asking industry to lead on. We are inviting stakeholders to get involved in this work.

We are launching the Electricity Network Access and Forward-looking Charging SCR (which we also refer to as the Electricity Network Access Project) and setting out areas we expect industry to take forward in a wider review, with the objective of **ensuring that electricity networks are used efficiently and flexibly, reflecting users' needs and allowing consumers to benefit from new technologies and services while avoiding unnecessary costs on energy bills in general.**

We believe an SCR is the best tool available for us to manage successfully the complex and interrelated questions which may need changes across multiple industry codes to deliver this objective.

Overview

Our energy system is going through a radical transformation, with new technologies potentially becoming more widespread, including solar PV, electricity storage, electric vehicles and heat pumps. Making the best use of network capacity and having effective signals on how users can create costs and benefits on the networks is critical to the development of a flexible and dynamic future energy system, which can accommodate these new technologies and facilitate the decarbonisation of the energy system in an efficient way. The potential savings are significant. Modelling by Imperial College/Carbon

[1] The Significant Code Review (SCR) process provides a tool for Ofgem to initiate wide ranging and holistic change and to implement reform to a code based issue.
[2] By "access arrangements" and "forward-looking charges" we mean -

- **Access arrangements** – the nature of users' access to the electricity networks (for example, when users can import/export electricity and how much) and how these rights are allocated.
- **Forward-looking charges** – the type of electricity network charges which signal to users how their actions can ether increase or decrease network costs in the future.

Trust for the Government[3] suggests potential savings of up to £4-15bn cumulatively to 2050 from reducing capital expenditure on electricity network reinforcement if flexible technologies can be used to help address network constraints. There could also be significant wider system savings through ensuring there is a level playing field for different types of energy service providers to compete on. This includes avoiding undue differential treatment based on the size of a provider, which voltage they are connected to, their location, and their type (ie whether they are a directly-connected generator, co-located with demand ('onsite generation') or an alternative Demand Side Response (DSR) technology).

We think that the current electricity network access arrangements and forward-looking charges will not adequately achieve these potential savings. In July 2018 we published a consultation[4] setting out our views on the key issues with the current arrangements, the options we should prioritise in addressing these problems, and how a review should be taken forward. Respondents to our July consultation overwhelmingly supported the need for change and our proposal to launch an SCR.

Launching an SCR allows us to take the lead on these matters while at the same time working with industry and other stakeholders, including consumer representatives. The SCR process is designed to facilitate the delivery of complex reforms and significant changes to the industry codes. This will allow us to undertake a holistic review of code-based issues. We believe this is necessary to ensure that there is timely, coordinated change across codes, and because the changes could have significant impacts across network users, in particular consumers, that will need careful consideration. For all these reasons, we believe that the SCR process is the most effective way to achieve the reforms needed. There are also areas we have decided are most appropriately led by industry, and are therefore not part of the SCR, which is led by us. Across both the parts of the review led by us and parts led by industry, it will be important to ensure input from a wide range of stakeholders is received.

Respondents to our July consultation differed in their views on what areas should be included within the scope of the SCR. We have carefully considered responses in defining the scope, and some areas of the review have been refined and differ from our July consultation proposals. We have prioritised reviewing issues with the current arrangements where reforms could bring the greatest value to current and future consumers. Some of the areas which fall outside the SCR and wider review are still important and may need to be addressed separately or at the end of this review.

This review forms part of a wider programme of work by Ofgem and Government to help enable the transition to a low-carbon, smart and flexible energy system and ensure efficient networks and wholesale markets. This is discussed further at Appendix 2.

The remainder of this letter outlines the scope of the SCR and wider review, our guiding principles, the process and timeline for the SCR, and our proposals for ensuring effective stakeholder input into the review. This letter should be read in conjunction with -

- Our July 2018 consultation document
- Appendices 1 to 4 published alongside this letter. These explain further our reasons for the scope of the review, outline the wider programme of work that the review forms a part of, describe how we plan to engage with stakeholders during the review, and summarise responses to the July consultation.

[3] An analysis of electricity system flexibility for GB - November 2016, Imperial College London/Carbon Trust; link here

[4] Getting more out of our electricity networks by reforming access and forward-looking charging arrangements, 23 July 2018; Link here.

Scope of the SCR and wider review

In our July consultation, we set out different options for our role and that of industry and stakeholders in leading a review of access and forward-looking charging arrangements.

Today we are launching an SCR to take forward -

- a review of the definition and choice of access rights for transmission and distribution users
- a wide-ranging review of distribution network charges (Distribution Use of System (DUoS) charges)
- a review of the distribution connection charging boundary, and
- a focused review of transmission network charges (Transmission Network Use of System (TNUoS) charges)

We have decided to exclude from the SCR –

- Introducing fixed duration long-term access rights
- Introducing geographically exclusive local access rights which do not allow access to the rest of the system
- Wider changes to transmission network charges
- The transmission connection charging boundary.

We think that the Electricity System Operator and network companies should separately take forward the following as part of the wider review, outside the SCR -

- a review of aspects of allocation of access rights, including improved queue management and the scope for trading
- a review of balancing services charges. This is being taken forward by the Electricity System Operator through a balancing services charges task force

We note that there are also other charging changes being taken forward through separate but related projects. These include our proposed reforms to residual charges and some remaining embedded benefits under the Targeted Charging Review, which we are currently consulting on[5], and changes to implement our decision on industry code modification CMP261[6]. We will ensure close coordination across these changes.

Scope of our SCR

In our July consultation, we said that the review of definition and choice of access rights for larger users could be led by the Electricity System Operator and network owners, or by us as part of an SCR. Having considered consultation responses and the extent of linkages between areas of the review, we have decided to include the review of definition and choice of access rights for all users within the scope of the SCR. We will also include review of DUoS charges, TNUoS charges and the distribution connection boundary within the SCR.

Having considered consultation responses, we have also refined aspects of the review scope in some areas. We want to ensure that the review is manageable and that we focus on areas that can deliver the greatest value to consumers.

An overview of the scope of the SCR is described further in Table 1. This also identifies the codes that we currently consider are most likely to be affected by our potential changes.

[5] Our minded-to decision on the Targeted Charging Review, link here

[6] Our decision was to reject industry code modification CMP261. However, our interpretation of the "connection exclusion" within our decision to reject CMP261 will necessitate a code modification. The Electricity System Operator is developing an industry code modification which would enact this interpretation of Commission Regulation (EU) No 838/2010. This would allow us to direct that our policy position, as currently set out in our Targeted Charging Review minded-to decision, of removing residual charges on generation is met.

Through our SCR, we may identify further codes affected by our proposals (for example, access arrangements may impact technical aspects of a users' connection, such as technical standards).[7]

Table 1: Overview of SCR scope

Policy area in the SCR and codes affected	Details of what we will be considering	Why there is a case for review
Policy area: Review of the definition and choice of transmission and distribution access rights **Codes likely affected:** Distribution Connection and Use of System Agreement (DCUSA) and the Connection and Use of System Code (CUSC), and associated documents, eg planning standards	***Priority areas:*** • Increased clarity and choice of firmness levels[8] • Increased choice around time-profiled access • Better defined access rights and greater choice for small users, and potential protections to mitigate the potential adverse impacts of the reforms[9] • Clarifying the access rights of distribution-connected users to the transmission network • We will **additionally** explore the feasibility and value of shared access rights across different sites and/or between different users – this **may become a priority area**[10] *Other areas:*[11] • Short-term duration access (eg around a year) • New conditions of access, such as 'use-it-or-lose-it' or 'use-it-or-sell-it'	For many users, including households, the current arrangements are not explicit about the nature of access rights being granted to the system. For many larger users, there is little, or a poorly defined, choice of different access options available to fit users' needs. This lack of definition and choice provides only limited information to network operators about where and when new network capacity is needed, or to network users about where their usage may contribute to costs.
Policy area: Wide-ranging review of Distribution Use of System (DUoS) network charges **Codes likely affected:** DCUSA	A wide-ranging review of the distribution charging methodology, including the following issues: • Charging design of distribution charges, including the balance between usage-based and capacity-based charges, including time-of-use based variants of both options, and	Changes to the balance between usage and capacity-based charges and improvements to locational signals could improve the cost-reflectivity and effectiveness of signals to users, encouraging better use of existing network capacity and minimise future costs.

[7] Planning standards are underpinned by the code arrangements and may also need revision to support changes.
[8] This is the extent to which a user's access to the network can be restricted and their eligibility for compensation if it is restricted.
[9] Where we refer to small users in this document, we are referring to those distribution-connected users who do not have an agreed capacity requirement as the basis for their DUoS charges. These users are typically those that do not have Current Transformer meters. Larger users are those distribution-connected users that do have an agreed capacity, or transmission-connected users.
[10] Shared access could allow users across multiple sites in the same broad area to obtain access to the whole network (rather than just part of the network), up to a jointly agreed level.
[11] For areas labelled as 'other areas', at this point we do not consider these areas as priorities for change, but we will review the materiality of these issues and are prepared to take further action during the SCR if further evidence emerges to support this.

	considering the treatment of different types of users, to send better signals about costs and benefits for network • Improvements to signals about how network costs and benefits vary by location • Options to mitigate the potential adverse impacts of the reforms for small users, including considering a basic charging tier.	Changes can also help ensure that there are not undue distortions caused by differential charging of different types of user.
Policy area: Review of distribution connection charging boundary **Codes likely affected:** DCUSA Each licensee's own Connection Charging Methodology	• If better locational signals can be sent through DUoS charges, whether there is a case for moving to a more 'shallow' distribution connection charging boundary[12] • Whether there is a need for user commitments[13] under a shallow connection boundary	There is evidence to suggest that current arrangements are causing distortions and barriers to investment on the distribution network. In particular, where some reinforcement costs are charged to the last party deemed to trigger the reinforcement, despite the contribution of previous connectees to constraints. However, the current connection boundary provides locational signals which are not provided currently by DUoS charges.
Policy area: Focused review of Transmission Network Use of System (TNUoS) charges **Codes likely affected:** DCUSA and CUSC	A focussed review of transmission network charges. *Priority areas:* The charging design for: • Distributed generation (DG) • Demand users (including those engaged in DSR) *Other areas[14]* • The "reference node" used in the model that derives the locational charges for different users and areas[15] The SCR is not reviewing other elements of the transmission network charging methodology.	Aligning charges across different sizes and types of user could help reduce distortions caused, helping ensure a level playing field and reduce whole system costs. The current approach creates uncertainty, and may not be cost-reflective.

[12] Under a shallow connection charging boundary, the connection customer pays for their own sole-use connection assets and the reinforcement of any "shared-use" assets is paid for by use of system charges.
[13] If costs are recovered over time then the customer may need to make some commitment to their future payments (eg by providing security to cover any outstanding costs that it is directly liable for).
[14] For areas labelled as 'other areas', at this point we do not consider these areas as priorities for change, but we will review the materiality of these issues and are prepared to take further action during the SCR if further evidence emerges to support this.
[15] Changes to the reference node may be required as a consequence of reviewing other matters within the scope of this review or if there is evidence to suggest it is a significant cause of distortion between different user types – eg between different types of generators.

We have decided to exclude from our SCR the consideration of -

- Introducing fixed duration long-term access rights
- Introducing geographically exclusive local access rights which do not allow access to the rest of the system
- Wider changes to transmission network charges
- The transmission connection charging boundary

We believe that there is less evidence of issues to be addressed in these areas.

In the case of geographically exclusive local access rights, we think that the other options that we will consider within the SCR offer better prospects of reflecting the network benefits that local energy projects can bring in a simple and efficient way, while protecting consumers. This includes exploring the feasibility and value of the option for 'shared' access, raised by a small number of respondents in consultation. We think this could help unlock similar benefits to a 'local' access right more simply. This option has not been assessed in as much depth as others, and some similar concerns could apply, such as the question of ensuring adequate protection for small users. We will explore this in our review.

We note there is flexibility to change the scope of an SCR as it progresses. Should we consider there is a need to do so, including to incorporate wider areas not covered by this scope set out here, we would consider this at the appropriate time.

More details on the definition and reasoning for the scope of the SCR and the wider review can be found in Appendix 1.

Areas led by industry outside the SCR

There are some areas where we think a review would be beneficial, but which we believe that industry and other stakeholders should take forward outside the SCR.

An SCR enables coordinated change to complex and interrelated policy areas. We believe these wider areas are less closely related to those within the scope of the SCR, with fewer direct interactions and dependencies. We therefore think the coordination of the SCR process is less relevant for these areas. We also recognise an industry-led approach in these areas should allow industry's expertise to be applied directly, help ensure strong ownership of arrangements, and could allow quicker progress ahead of an SCR's conclusions.

Therefore, our view is that industry take forward work to review -

- **Balancing services charges** Balancing Service Use of System charges (BSUoS or 'balancing services charges') recover the cost associated with the Electricity System Operator operating the existing transmission system. A proportion of these are transmission constraint management costs, which are paid to users if there is a transmission network constraint. At present, these costs are paid by consumers and generators ("socialised") on a cost recovery basis, rather than being signalled to those users that are driving constraints.

  We will not be reviewing the socialisation of these costs as part of our SCR, since these costs are forecast to reduce in the near term. However, we think that there would be benefit from examining the extent to which BSUoS more generally is currently cost-reflective to some degree, or could be made more so in future.

  Consequently, in November this year, we asked the ESO to launch a task force under the Charging Futures Forum.[16] The objective of the Task Force is to provide analysis to support decisions on the future direction of balancing services charges. In particular, it will examine the potential for, and feasibility of, some elements of balancing services charges being made more cost-reflective and hence provide

[16] 'Review of balancing service charges', 28 November 2018; link here.

stronger forward-looking signals, and which elements of balancing service charges should instead be treated as cost recovery charges. In the case of the latter, we have indicated that it may be appropriate to apply the same approach as we are proposing for transmission and distribution residual charges in our Targeted Charging Review.

- **Access right allocation** As proposed in our consultation, we confirm that the review will not take forward consideration of the use of auctions at this stage for the allocation of access rights. Instead, we believe that the Electricity System Operator and network companies should lead on reviewing incremental improvements to the allocation of access rights (eg better management of connection queues, allowing generation who have non-firm connections to trade with others to reduce the extent they are curtailed, and enabling the exchange of access rights between users). We think this will have benefits in supporting more efficient allocation of access and in revealing the value of increased network capacity.

  Some respondents to our July consultation suggested that Ofgem should include these aspects within our SCR. This is an area where the Electricity System Operator and network companies already have a number of improvement activities underway and where they should be trying to meet the reasonable expectations of their customers. We think it is separable from the other areas of the review. We therefore believe that the Electricity System Operator and network companies should continue to lead this area to maintain existing momentum. However, there are some matters related to access right allocation which we have decided to include within the SCR led by us—specifically, consideration of conditions on access rights, such as 'use-it-or-lose-it', which will fall within the definition of access rights part of the SCR. While such conditions could help improve the allocation of access rights, our view is that the issue is more closely linked to other aspects of the SCR and may be harder for the industry to progress separately.

We proposed in the consultation to introduce a licence obligation for the DNOs and Electricity System Operator to ensure timely progress in industry-led areas outside the scope of the SCR. Although many respondents recognised the importance of timely progress of the review and ensuring delivery, several raised concerns with the approach. These included the potential for additional bureaucracy and regulatory burden, challenges associated with collective compliance, and timelines for reporting. We have decided to not proceed with a licence change at this point. Under our SCR scope, industry-led areas are relatively less contentious and the progress of our SCR will be less contingent on their conclusions. However, we will take a close interest in the continued progress of the work and still expect that DNOs and Electricity System Operator will drive forward this work in a timely manner and engage wider stakeholders appropriately, including through the Energy Networks Association (ENA) Open Networks and the Charging Futures Forum. We also expect them to provide regular updates to us through the Charging Delivery Board and Delivery Group meetings, discussed below, so that we can ensure coordination with the work we are leading through the SCR, and to provide substantial support and resources to take the overall package of reforms forward.

Guiding principles

In considering the need for and shape of any reforms, we have a statutory duty to protect the interests of current and future consumers.[17]

Some respondents to our July consultation considered that decarbonising the energy system should be identified as a specific objective and that our proposals could undermine government policy in this regard. While we agree that decarbonisation is vital, we do not think that it should be a specific objective of our SCR. We believe that our reforms should enable low carbon technologies, reduce the cost of accommodating them and help facilitate

[17] Our understanding of the consumer interest is guided by the five consumer outcomes in our corporate strategy link here. This is reflected in our 2018/19 Forward Work Programme, link here

flexibility. This is reflected in our guiding principles below. We do not think that it is in consumers' interest to design network charging arrangements to favour specific low carbon technologies over other technologies, as technologies and their impacts on networks will continue to evolve over time. Instead, network charges should cost-reflectively signal to all users how their actions can either increase or decrease future network costs. We think that this is consistent with the government's policy vision that low carbon generation should compete, independent of direct subsidy, on a level playing field with other generation technologies. Our view is that this is consistent with our principal objective, which requires us to protect the interests of future consumers and our duties to have regard to the achievement of sustainable development. As in all decisions made by Ofgem, the sustainability impacts of the proposed reforms will be fully factored into our decision making.

Our objective for the review is "*to ensure electricity networks are used efficiently and flexibly, reflecting users' needs and allowing consumers to benefit from new technologies and services while avoiding unnecessary costs on energy bills in general*".[18]

We have applied this objective to areas relevant to the SCR and developed detailed guiding principles. These 'guiding principles' are developed from our previous 'desirable features' of network access and forward looking charging arrangements that we set out in our November 2017 working paper.[19] These in turn were informed by our wider statutory duties, our regulatory stances[20] and relevant economic theory.[21]

Guiding Principle	**What it means**
1. Arrangements support efficient use and development of network capacity	- Access arrangements support network capacity being allocated in accordance to users' needs and the value they ascribe to network usage - Arrangements provide signals that reflect the costs and benefits of using the network at different times and places, to support efficient use of capacity, and ensure no undue cross-subsidisation between users - They provide effective signals for where new network capacity is justified - Arrangements reduce barriers to entry and enable new business models where these can bring value for system - Arrangements support decarbonisation, primarily by enabling uptake of low carbon technologies through enabling quicker connections and reducing network costs. They will also look to enable and reflect the benefits that new, innovative approaches and business models (such as local energy models) can bring to the network. However, they will not provide any undue preferential arrangements based on technology or user type.
2. Arrangements reflect the needs of consumers as appropriate for an essential service	- Electricity provides an essential service and small users in particular need protection from arrangements which may result in harm to their welfare. This may be achieved in the access and charging arrangements themselves or through the wider policy and regulatory arrangements. - Users, or suppliers/intermediaries on their behalf, are able to understand arrangements and have sufficient information to be able to reasonably predict their future access and charges
3. Any changes are practical and proportionate	- Changes can be implemented given the applicable legislative framework and technologies - Costs of change are proportionate to consumer benefit

[18] The objective has been tweaked from the version published in our summer 2018 consultation to improve clarity.
[19] Reform of electricity network access and forward-looking charges: a working paper, chapter 2, link here
[20] Ofgem's regulatory stances, link here
[21] To be clear, these guiding principles have been informed by, and are consistent with, our statutory duties and do not take precedence over our statutory duties.

We intend to assess the options we develop against these principles. An important aspect of the assessment against the first two principles will be how well the options perform in different future scenarios - how adaptable they are to different possible developments given the level of uncertainty about how the energy system will evolve. Our guiding principles may evolve through engagement with stakeholders as part of our SCR.

We will complement this assessment with quantitative analysis of the likely impact of the options for reform.

We believe that these principles are consistent with those that we have used in our Targeted Charging Review, with the variations between them reflecting the different objectives of the reviews.

SCR Process

There are three options the SCR process can follow[22] -

- **Option 1: Ofgem directs licensee(s) to raise modification proposal(s).** At the end of the SCR phase, we would issue a direction to the relevant licensee(s). Our direction may set out high level principles (with the detail to be developed by industry) or more specific, detailed conclusions to be given effect through code changes. The modification(s) would follow the standard industry code modification processes.

- **Option 2: Ofgem raises modification proposal(s).** At the end of the SCR phase, we would raise the modification(s) under the relevant code(s), which would then be taken forward through the standard industry code modification processes.

- **Option 3: Ofgem leads an end-to-end process to develop code modification(s).** The standard industry process for modification proposals would not apply; we would lead the consultation and engagement needed to develop the appropriate code change(s). We would expect close industry involvement. We may establish and lead workgroups similar to the approach under the standard industry code modification processes (but led by us).

Of the three process options, we have selected Option 1: Ofgem directs licensee(s) to raise modification proposal(s), as we proposed in our consultation. At this time, we think this offers the right balance between Ofgem leadership in this work and industry expertise in developing and drafting modifications. We also note that there is scope to review this approach during the SCR, if it appears that another approach would better deliver benefits for consumers. This is the same Option that we are following in our Targeted Charging Review SCR.

Now that we have launched an SCR, new modification proposals which cover similar ground to the SCR may not proceed through the standard industry modification process. Only urgent proposals or those specifically exempted by us will be allowed to proceed through the code modification process. The progress of current modifications that overlap with areas covered by our SCR will be considered by the relevant workgroups, Code Panels and Ofgem as appropriate under the provisions of the relevant code, and under the Charging Futures Forum.[23]

[22] The SCR process was introduced in 2010 and later revised following Ofgem's Code Governance Review (Phase 3) (CGR3) in 2016. Our full SCR Guidance is available in the link here
[23] For more information on the Charging Futures Forum see here

SCR Timeline

We outline below the timeline we expect the SCR process to follow. Given the number of issues and their importance, we will progress work as quickly as possible, consistent with running a robust process. Our aim is to -

- Publish working papers and other discussion materials – **summer 2019**
- Consult on our Minded-to-Decision and draft Impact Assessment - **spring 2020**
- Public decision and final Impact Assessment **autumn 2020.**

If we decide to direct one or more licensee(s) to raise a modification(s), we would expect industry to make progress so that we are in a position to make a decision on the resulting modifications by the end of 2021. We would consider setting a timetable in parallel with our SCR conclusions. We are targeting implementation of modifications related to changes to TNUoS for 1 April 2022, with the remaining changes coming into effect on 1 April 2023 (aligning with the start of RIIO-ED2). Where possible, we may seek to implement any "quick wins" identified in advance of these dates.

We will consider whether any transitional arrangements are required. However, we are mindful that reforms to these arrangements have been signalled for some time[24], and there will have been a substantial period of engagement and consultation before planned implementation in 2022 and 2023. On this basis, we consider that industry and all stakeholders will have a substantial period of time to anticipate, understand and influence these reforms and should not assume that further transitional periods will be warranted. The costs of any delays to implementing reforms found necessary to reduce costs and protect consumers would need to be weighed up against any benefits.

We will continue to ensure close coordination with linked Ofgem projects (for example, the Targeted Charging Review, RIIO2, our other work on flexibility and the introduction of market-wide Half-Hourly Settlement), and non-Ofgem projects (such as the ENA Open Networks project).

Stakeholders input

We are committed to undertaking this SCR in a transparent and open manner. We also need industry input to support the development of different options.

There will be an ongoing role for both the Charging Delivery Board and Charging Futures Forum. The Charging Delivery Board will continue to provide strategic guidance regarding the coordination and implementation of this project with broader charging reforms. The Charging Futures Forum will continue to be a means of engaging with, and updating, a wider range of our stakeholders. In addition, we intend to introduce and chair a new Challenge Group and Delivery Group:

[24] For example, we identified distribution charging as a work area in our September 2015 flexibility position paper (link here) and sought views on wider network charging changes in our call for evidence with BEIS on a Smart, Flexible Energy System in 2016 (link here). We also highlighted the potential for change in relation to transmission charging as part of our July 16 'Open letter: Charging arrangements for embedded generation' and December 2016 'Update on charging arrangements for Embedded Generation' (link here and link here). We confirmed access and forward-looking charging arrangements as a priority work area in our strategy for regulating the future energy system published in August 2017 (link here) and published a working paper launching the work in November 2017 (link here). The industry also undertook transparent reviews of the distribution and transmission network methodologies. The report for the Extra-High-Voltage Distribution Charging Methodology (EDCM) review was published in December 2015 (link here), National Grid ESO undertook a review of transmission charges with stakeholder input in 2016 (link here) and the report for the Common Distribution Charging Methodology (CDCM) review was published in July 2017 (link here)

The **Challenge Group** will provide ongoing wider stakeholder input into the SCR. This will provide a challenge function to the work of the Delivery Group (and that of any working groups it commissions), ensuring policy development takes into account a wide range of perspectives and is sufficiently ambitious in considering the potential for innovation and new technologies to offer new solutions.

The **Delivery Group** will comprise network companies, the Electricity System Operator and relevant code administrators. We expect this group to support us in developing and assessing options, drawing on their expertise and knowledge of how the networks are planned and operated. We also anticipate that the Delivery Group may commission and co-ordinate smaller workgroups to complete some activities. The smaller workgroups could include stakeholders from outside the Delivery Group, including from the Challenge Group, that can bring a particular expertise or valuable insight on the focus of the smaller workgroup. Appendix 3 provides more information on the resource commitment that we expect from Delivery Group members.

We are in discussions with the ENA on the secretariat function for both groups.

We invite stakeholders to express interest in becoming a member of the Challenge Group. Should a stakeholder want to express an interest in joining the Challenge Group please email **NetworkAccessReform@ofgem.gov.uk** by **21 January 2019**. We expect to share information regarding expressions of interest with the ENA. Draft Terms of Reference that provide more detail on the commitment expected from a Challenge Group member is at Appendix 3.

For stakeholders not in the Challenge Group, there will be regular updates and opportunities to engage with the SCR through the Charging Futures Forum. We will also seek input through responses to our planned working papers and consultation on our minded-to decision on the SCR.

Wider industry work

More information on how to get involved with the Electricity System Operator taskforce's broader review of balancing services charges can be found here.

More information on how to get involved with ENA Open Networks work to improve the allocation of access can be found here.

We welcome your interest and engagement in this important review.

Andy Burgess
Deputy Director, Electricity Charging & Access