

Access & Forward-Looking Charges SCR Community Energy Forum

7 June 2022

Topics and Presenters

This presentation will cover:

- Introduction to the Access SCR
- Ofgem's Final Decision:
 1. Connection Boundary Reforms
 2. Access Rights Reforms
- Implementation and Timings

Presenters:

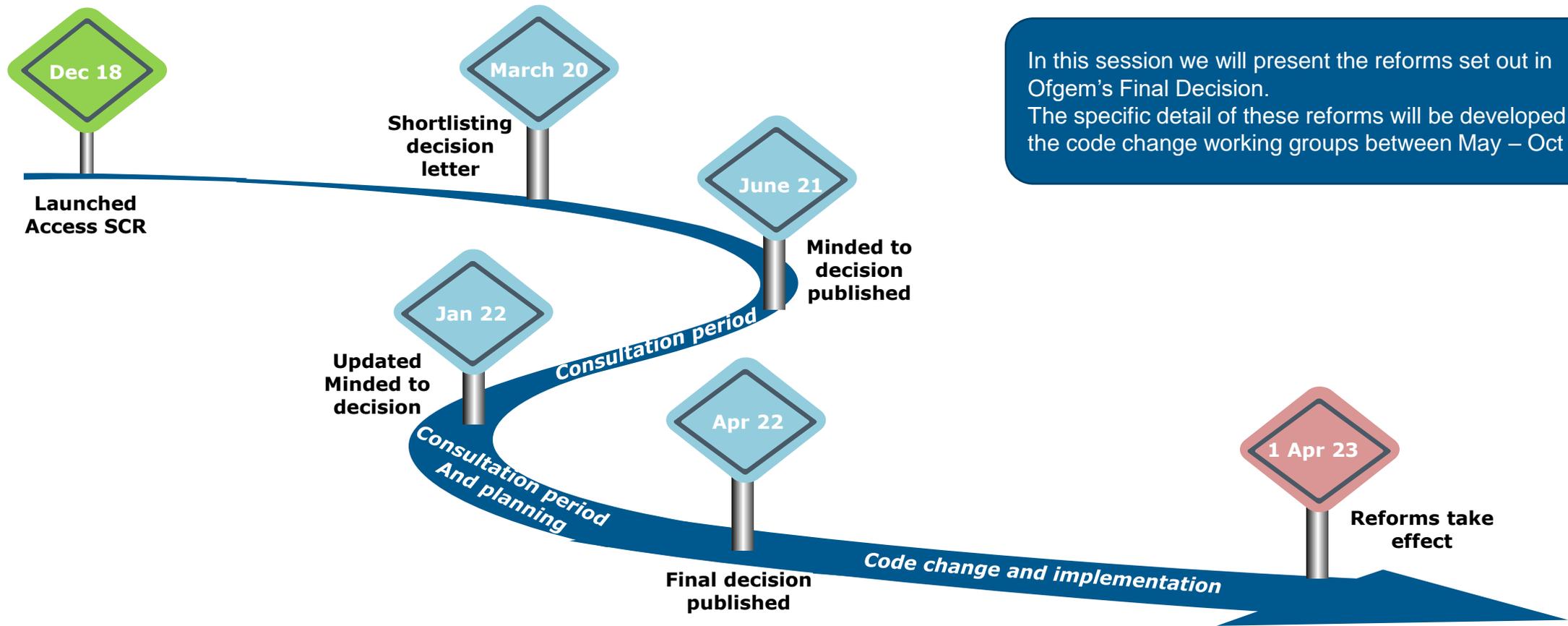
Paul McGimpsey – Director of Markets and Regulation, ENA

Brian Hoy – Head of Market Regulation, Electricity North West

Ross Thompson - Regulatory Performance Manager, UK Power Networks

Overview

Access SCR – Process to date

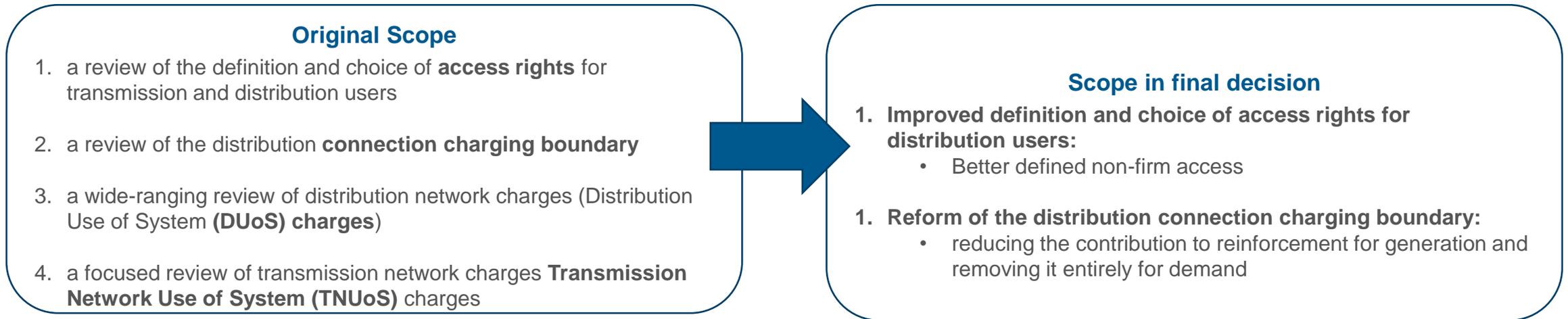


In this session we will present the reforms set out in Ofgem's Final Decision. The specific detail of these reforms will be developed in the code change working groups between May – Oct 22.

What is the Access Significant Code Review?

- **Objective of the Access SCR:**
 - ensure that electricity networks are used efficiently and flexibly;
 - ensure they reflect users’ needs, allowing consumers to benefit from new technologies and services; and to
 - do this while avoiding unnecessary costs on energy bills.

- **Original scope of the Access SCR at launch, and the updated scope in the Minded to and final decision:**



Changes to the SCR Scope

DUoS Reform

Ofgem intends to take forward a wide-ranging review of DUoS under a separate vehicle from the original Access SCR.

- Procedurally, this entails descoping DUoS from the Access SCR and launching a new, dedicated SCR which retains the original 'wide ranging review' scope of DUoS reforms previously set out.
- This wide ranging review of DUoS will likely be implemented 2025 onwards.

TNUoS Reform

Ofgem have delayed making a decision on TNUoS arrangements for small Distributed Generation (DG)

- Ofgem will work with National Grid ESO to launch TNUoS Task Force(s) to conduct a wide ranging review of TNUoS
- The overall window for delivery of any changes under this Task Force process is likely 2024-2026

Connection Boundary Reforms

Distribution Charges

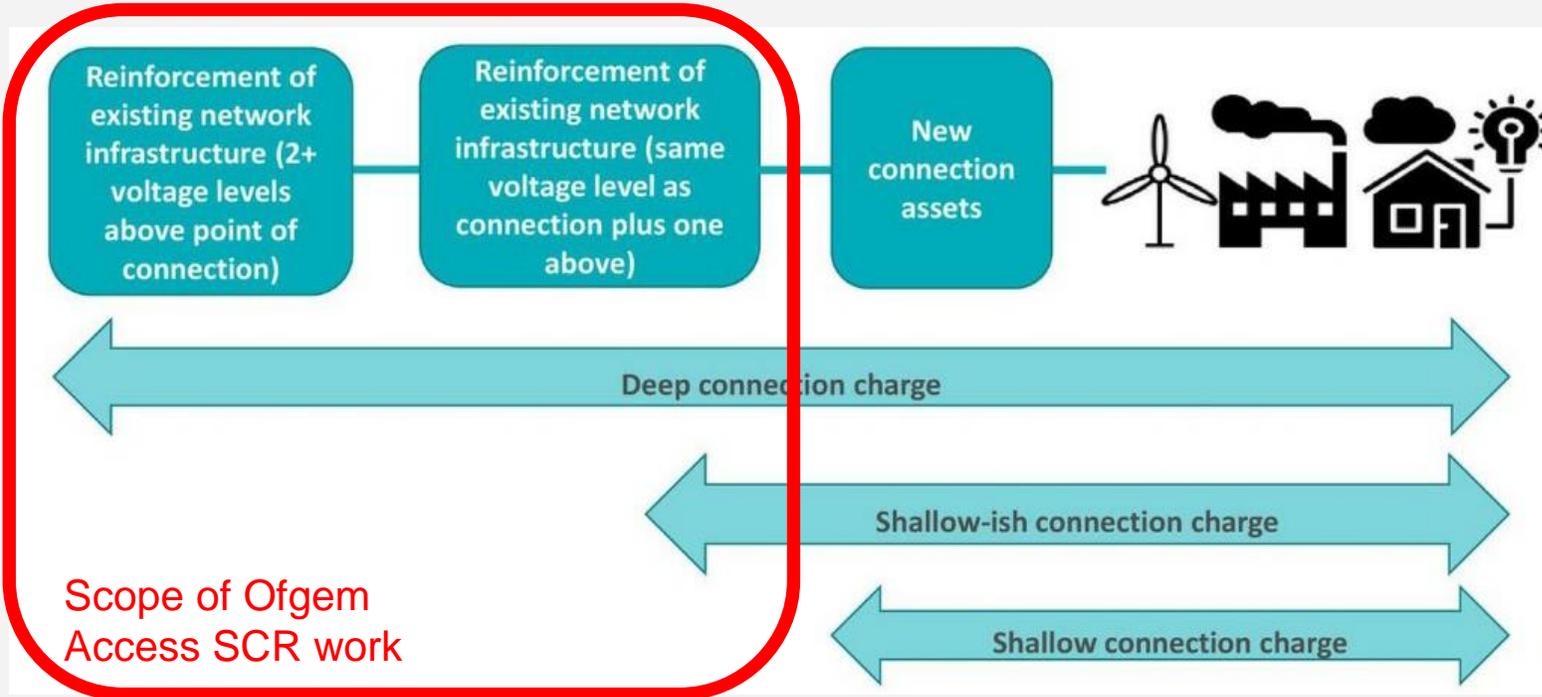
Connection Charges

- Amended annually
- Levied on connecting customer
- One off charge
- Paid for building network connection
- Covers network extension to site and (if needed) a share of upstream reinforcement
- Based on 'minimum design' requirements
- Additional charges for enhanced design

Use of System charges

- Amended annually, 15 months' notice
- Levied on supplier
- Ongoing charge
- Paid for ongoing use of the shared network
- Also covers operation, repair and maintenance of sole use assets
- Level of charge set to match 'Allowed Revenue'
- Additional charges for enhanced security

Connection Boundary Reforms



- When connecting to the network there can be different kinds of assets required to make the connection. The 'connection boundary' describes the assets that the customer has to pay for. Ofgem's Access SCR is only looking to make changes to the charges for reinforcement.

Distribution Network Connection Charges

- The Decision sets out different connection charging depths for Demand and Generation Connections.
- At Demand, DNO fully funds reinforcement and recovers through DUoS, unless High-Cost Cap is exceeded.
- At Generation, customer only contributes to reinforcement at the same voltage level as Point of Connection (POC), unless High-Cost Cap is exceeded.

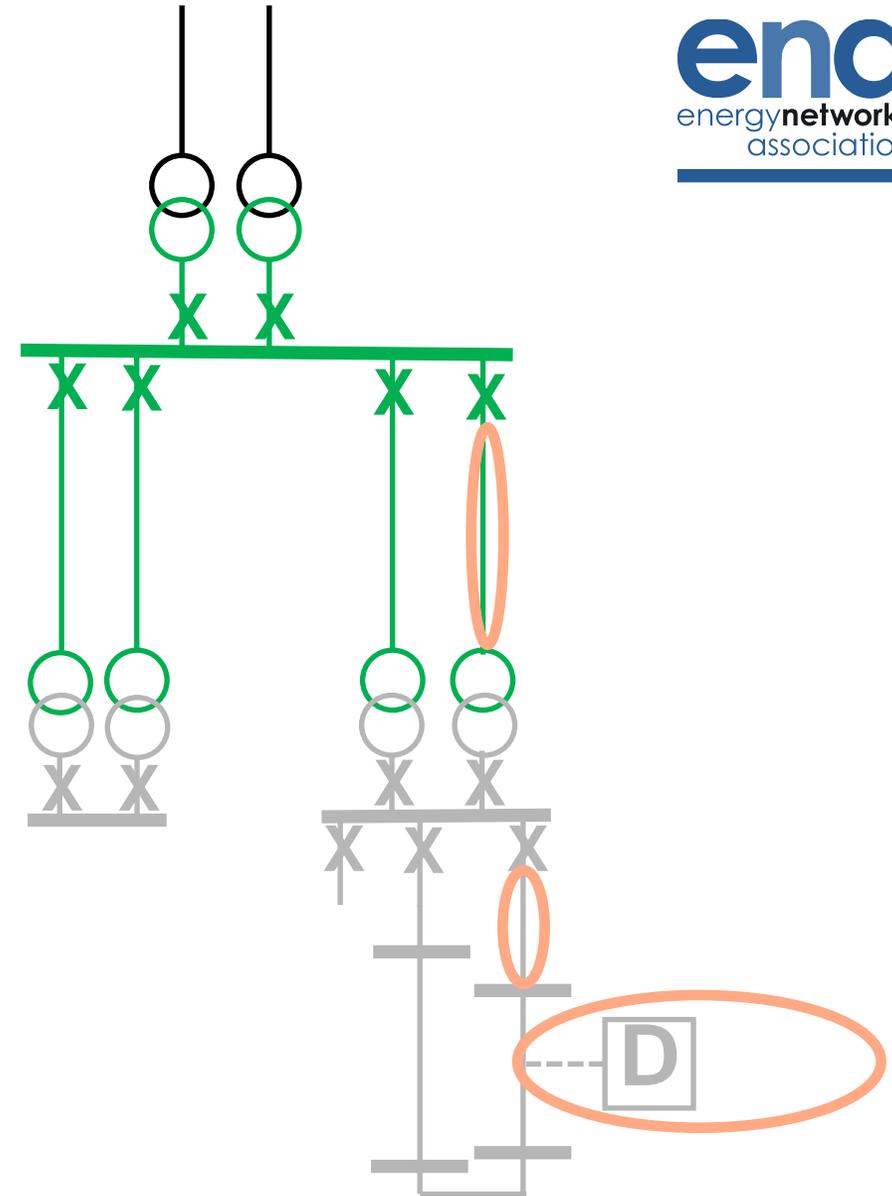
	Extension assets	Reinforcement assets at connection voltage	Reinforcement assets at connection voltage +1
Current arrangements	Connecting customer pays 100%	Connecting customer pays a proportion of the reinforcement costs	Connecting customer pays a proportion of the reinforcement costs
New arrangements (Demand)	Connecting customer pays 100%	Fully funded by the DNO via DUoS	Fully funded by the DNO via DUoS
New arrangements (Generation)	Connecting customer pays 100%	Connecting customer pays a proportion of the reinforcement costs	Fully funded by the DNO via DUoS

Simple example 1 – Demand Customer

Current

A new demand customer connecting at HV would pay:

- in full for the extension assets (dashed)
- in part for any reinforcement to the HV circuit based on CAF
- in part for the reinforcement to the 33kV cable based on CAF



Simple example 1 – Demand Customer

Current

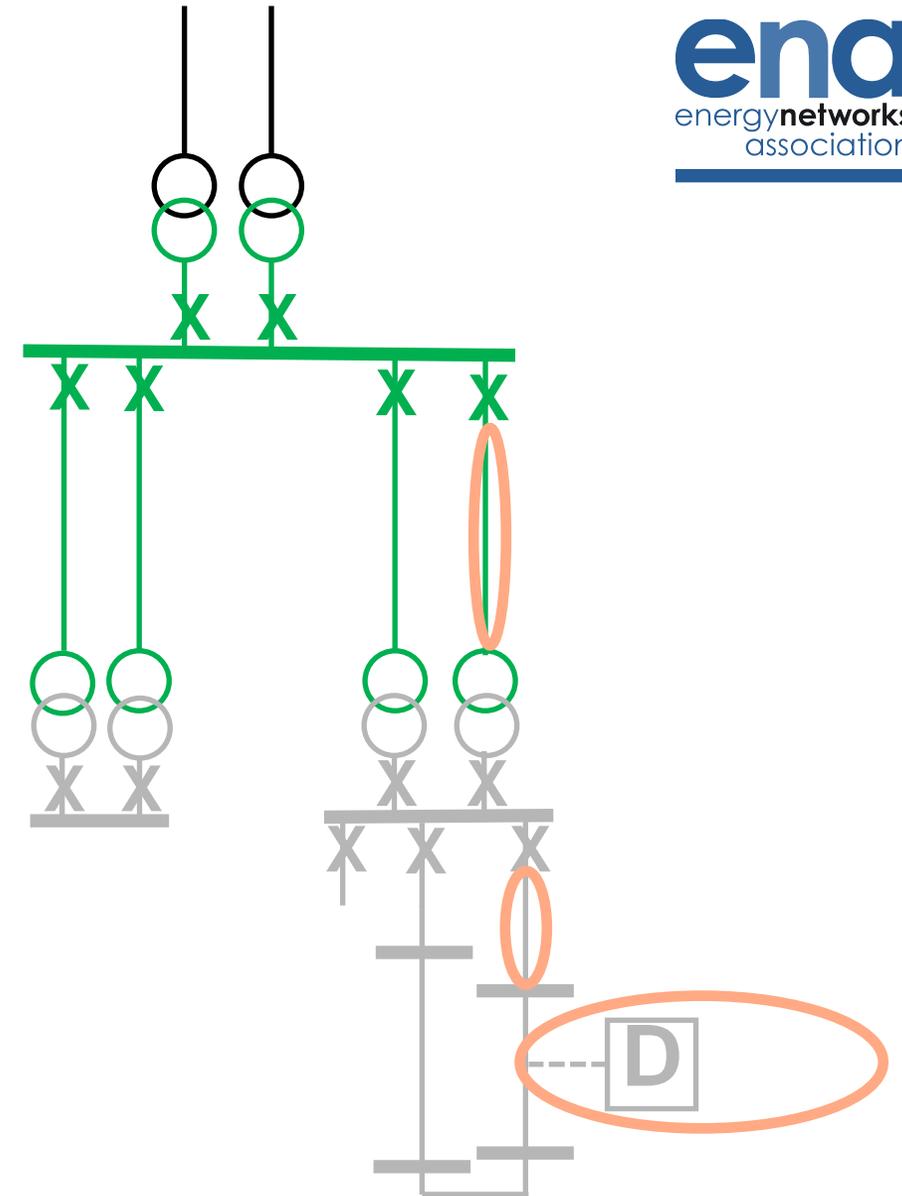
A new demand customer connecting at HV would pay:

- in full for the extension assets (dashed)
- in part for any reinforcement to the HV circuit based on CAF
- in part for the reinforcement to the 33kV cable based on CAF

Future

A new demand customer connecting at HV would pay:

- in full for the extension assets (dashed)

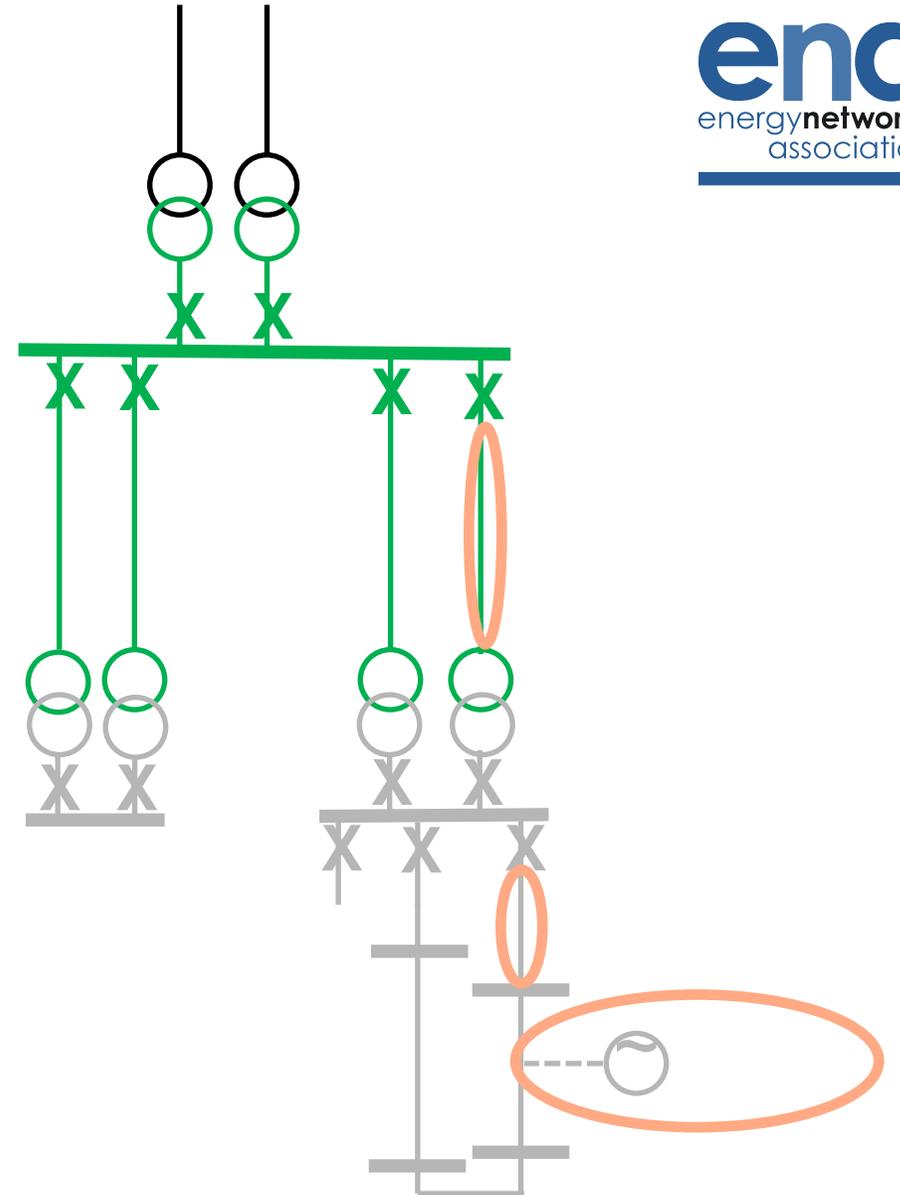


Simple example 2 – Generator

Current

A new generator connecting at HV would pay:

- in full for the extension assets (dashed)
- in part for any reinforcement to the HV circuit based on CAF
- in part for the reinforcement to the 33kV cable based on CAF



Simple example 2 – Generator

Current

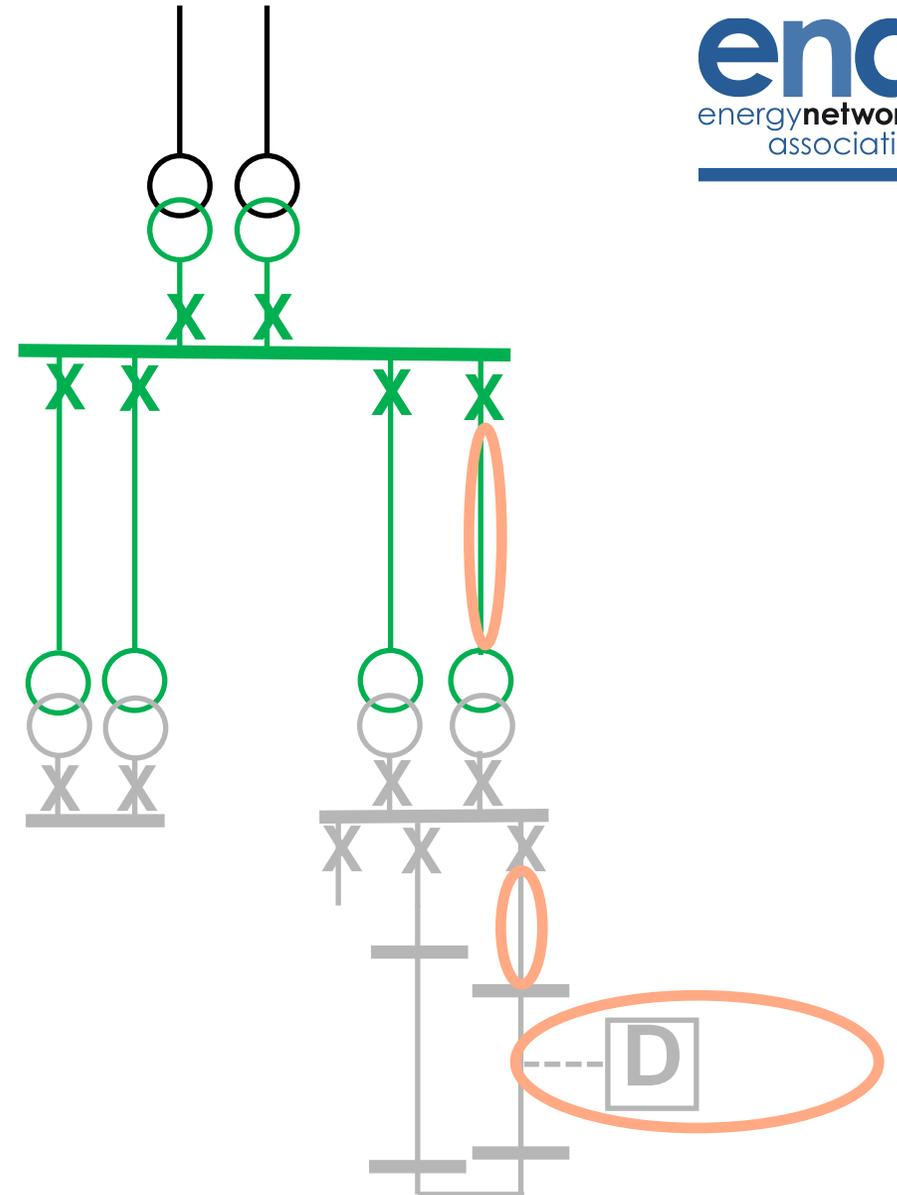
A new generator connecting at HV would pay:

- in full for the extension assets (dashed)
- in part for any reinforcement to the HV circuit based on CAF
- in part for the reinforcement to the 33kV cable based on CAF

Future

A new generator connecting at HV would pay:

- in full for the extension assets (dashed)
- in part for any reinforcement to the HV circuit based on CAF



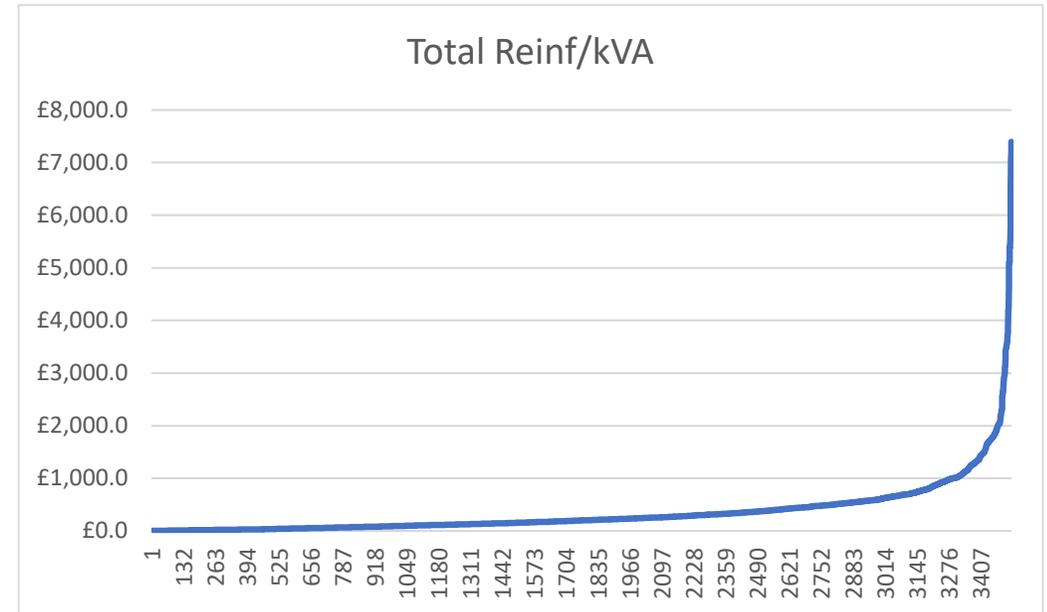
Further Reforms – High Cost Cap

HCC retained for Generation

- The Generation HCC will be set at £200/kW
 - i.e. as it works now

Ofgem decided to implement a similar approach for demand

- Aim is to protect DUoS customers from excessive costs
- Proposing setting at a threshold to protect against highest costs
 - It will be set at £1720/kVA



Additional Clarifications

Inflight projects

- Charges would remain consistent with time of application
- Projects can be cancelled and then re-apply but may not get refunds on any payments made

No rebates

- No rebates for anyone that has paid reinforcement costs

Non-firm connections

- Existing non-firm connections can apply for a firm connection

Storage

- To be treated as generation for purposes of connection charging

Three phase connections/supply voltage

- No change to existing approach
- If customer requires three phases where not necessary for the capacity requested then would pay for reinforcement in full

Minimum scheme

- Retain 'minimum scheme' principle of lowest capital costs

Point of connection

- Retain same approach to 'same voltage as POC'
- Eg in a primary:
 - HV breakers are considered HV
 - 33kV/11kV transformer is considered EHV

Access Rights

Introduction to Access Rights

What are Access Rights?

Network access rights define access to the network and the capacity connectees can use, eg Level of import or export, when and for how long, and whether access can be interrupted.

When would they be used?

- Could be used as a **interim** solution to facilitate an earlier connection whilst reinforcement is undertaken
- Could be an **enduring** solution where there is HCC
- Defined in relation to the **time** users are willing to be curtailed
- Customer will be **protected** from risk of DNOs exceeding agreed level of curtailment

Access Rights – Reforms

#	Topics Considered	Ofgem Decision
1	Non-firm access	<p>Introduce new non-firm access rights for distribution connected users.</p> <ul style="list-style-type: none"> • Non-firm access defined in relation to consumer outcomes specifically the number of hours curtailed (Can also be expressed as a percentage) • Users should be able to agree to proportion of their total access rights capacity that is firm vs non-firm • Users to be protected from risk of DNOs exceeding level of curtailment
2	Time-profiled access	<p>Not proposing to define time-profiled access arrangements.</p> <p>Where there is a clear network need, network operators should consider and discuss time-profiled access options with customers when making connection offers.</p>
3	Shared access	Not proposing to take forward shared access.

Further Clarifications

Curtailment definition

Defined as action by DNO to restrict conditions of a connection:

- excludes customer interruptions
- excludes interruptions resulting from the transmission network

How curtailment limits should be calculated

- DNOs to define and agree common, repeatable approach for calculating limit

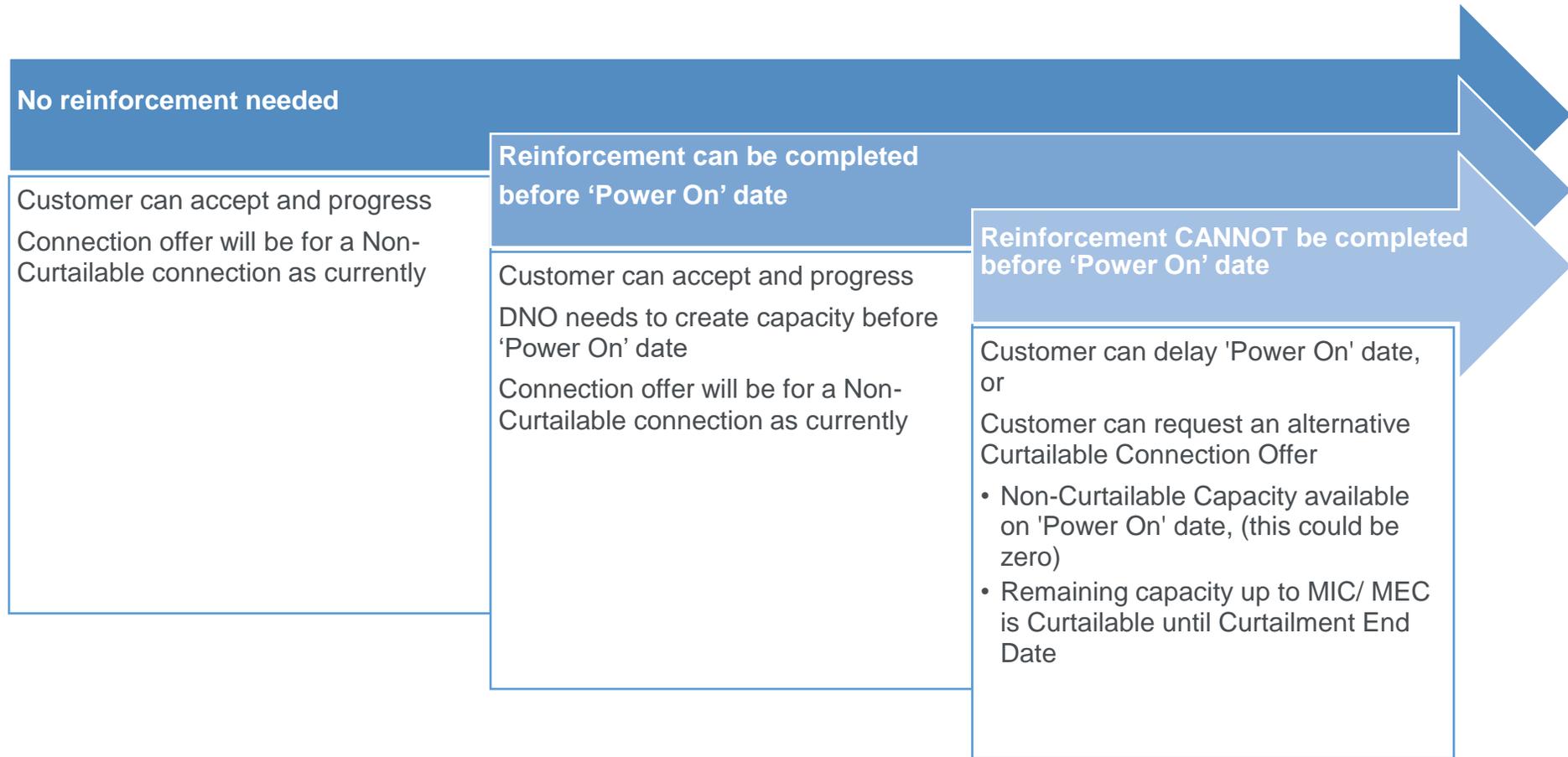
Duration of non-firm arrangements

- Proposal for explicit end dates for non-firm arrangements
- Dates should allow time for wider development to take place

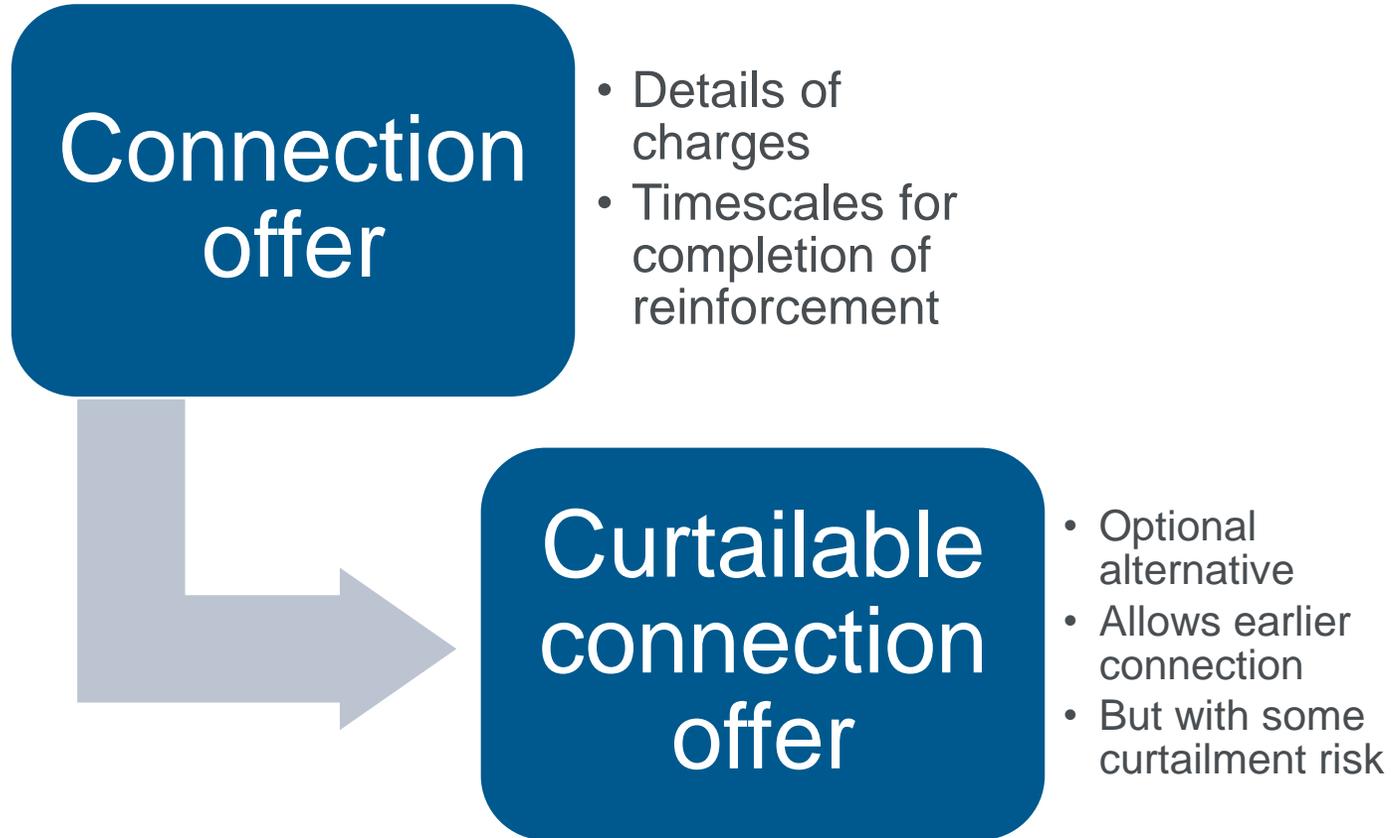
What happens if curtailed above limits

- DNO needs to procure flexibility service from market
- Cap will be introduced on the price DNO pays for the flexibility service.
- DNOs will pay customers when curtailment exceeds limit

Non-firm Access



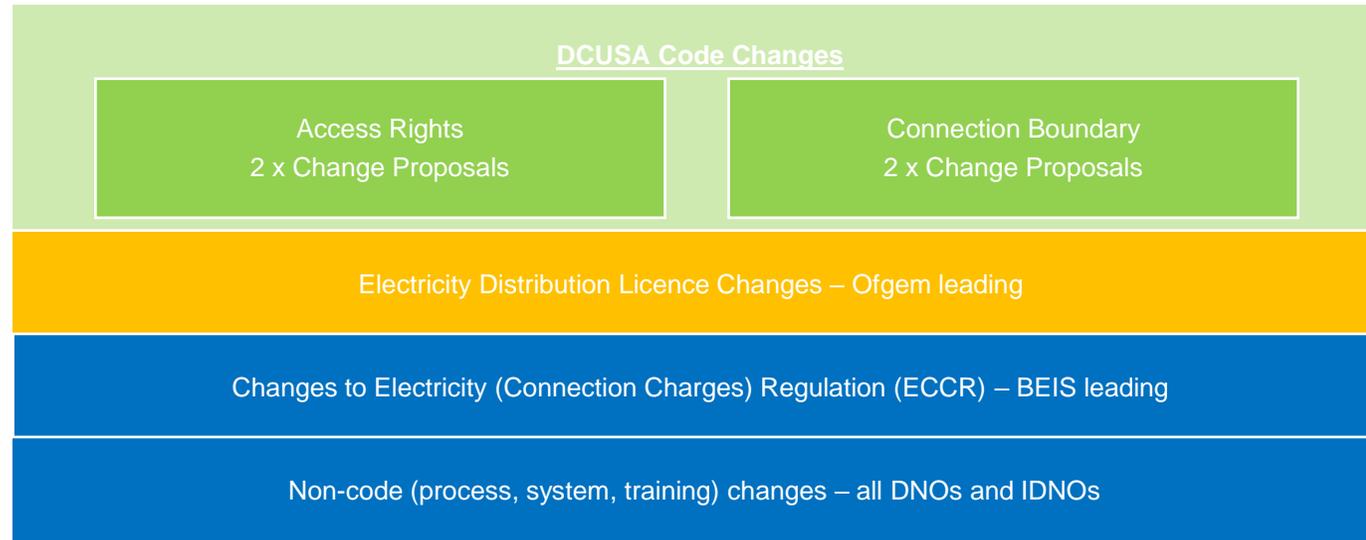
Non-firm Access



Implementation and Timelines

Implementation and Timings

- The DNOs and IDNOs have raised four DCUSA Change Proposals to codify the reforms.
- Changes are also required to legislation, Licences and DNO/IDNO internal systems and processes.



- The DNOs/IDNOs are required to submit the final DCUSA changes to Ofgem by 31 October 2022 for approval.
- All the changes have to be completed and implemented for 1 April 2023, in line with the start of RIIO-ED2.



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The voice of the networks

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Stakeholder Engagement Plans

As a collective, via the ENA, the DNOs/IDNOs intend to:

- Publish a summary document of how the reforms will work in practice (once the detail is developed)
- Publish a Frequently Asked Questions document
- Host two webinars via the Charging Futures (chargingfutures.com)

The DNOs and IDNOs will individually:

- Include Access SCR on agenda items in workshops and community energy events
- Brief internal staff incl dedicated Community Energy Leads on Access SCR. They will be on hand to answer queries.
- Continued engagement as the DCUSA changes develop and further detail is known



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