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## ADE Briefing | Access SCR Decision | 4 May 2022

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### Introduction

Ofgem have now published their **final decision** on the Access Significant Code Review.

This review considers –

- Distribution connections: How much individual connectees should pay, how much should be socialised
- Access (capacity) rights and charges for generation, storage and demand connected at distribution

### Summary

The reforms are mostly positive, if far more limited in impact than had been hoped when this SCR was started.

It is positive to see stronger limits on curtailing distributed generation and a more explicit link to the use of flexibility markets to manage constraints. It is also positive on a fairness basis that reinforcement costs have been removed for demand connections as this could otherwise have led to early adopters of EVs and other low carbon technologies facing lower costs than those only able to switch later on.

However, there are a few concerning elements to these reforms –

- Generation and storage will still face reinforcement costs (albeit reduced from current levels), creating asymmetry between types of connectees
- The introduction of an “exceeded curtailment price” (which the ADE opposed in the consultation) could effectively cap flexibility revenues for DSO services
- Decisions on how small-scale generation is treated and whether the Embedded Export Tariff will endure are still uncertain and subject to further review through the TNUoS work

Finally, there are also risks to implementation by 1<sup>st</sup> April 2023 given the modification work that needs to be developed and that BEIS will now need to lay accompanying secondary legislation to resolve issues with the Electricity (Connection Charges) Regulations.

## Overview of decisions

### Connections

For demand connections (defined using the TCR's "final demand"), Ofgem will remove contributions to reinforcement (with the exception of assets used only by the connectee, "sole use assets").

For generation connections (defined using the TCR's "non-final demand"), Ofgem will reduce contributions to reinforcement, creating a "shallower" connection boundary<sup>1</sup>. Instead of contributing towards any reinforcement for the voltage at which the generator is connecting and one voltage level above, connectees will now only contribute to reinforcements at their voltage level.

Storage connections will be treated as generation, regardless of whether the reinforcement is import- or export-driven.

The costs of reinforcement that are now not paid for by the connectee will instead be socialised across the DNOs' customer base through DUoS.

It is important to note that this applies only to *distribution* reinforcement. Where reinforcement is triggered at Transmission, connectees will still be required to contribute to it. This will be reviewed under the ongoing TNUoS work.

Further details of the decision –

- Ofgem will retain the High Cost Cap<sup>2</sup> for generation – currently set at £200/kW
- Ofgem will also introduce a High Cost Cap for demand connections – to be set at £1720/kVA<sup>3</sup>
- Ofgem will retain the current approach to speculative connections where connectees may be required to pay reinforcement costs in full but will direct the DNOs to clarify the definition of "speculative connection" in the Common Connection Charging Methodology
- Where connectees ask for a phase or voltage upgrade that the DNO considers is not necessary to provide the requested capacity, connectees will still have to pay in full
- Ofgem will recommend to BEIS that they amend the Electricity (Connection Charges) Regulations 2017 (ECCR)<sup>4</sup>, through secondary legislation

### Access rights

DNOs will still offer non-firm<sup>5</sup> connections to connectees. However, these will now be subject to a curtailment limit which the DNO will not be allowed to exceed (defined by number of hours).

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<sup>1</sup> The "shallowness" of the connection refers to how much is paid for by the individual connectee (if all is paid, that would be a deep connection) and how much is socialised through wider distribution charges to the whole DNO's customer base (if all is socialised apart from sole use assets, that would be a shallow connection)

<sup>2</sup> The High Cost Cap requires a connectee to pay 100% of the costs of reinforcement over a certain threshold. Below this threshold, the costs are shared as per normal connections.

<sup>3</sup> In evidence reviewed by Ofgem, >90% of connections were less than £1000/kVA

<sup>4</sup> The ECCR effectively requires second-comers to pay a contribution towards a first-comer who has paid substantially towards a reinforcement which, going forward, both parties will benefit from

<sup>5</sup> Connections that do not give the connectee the right to export/import 24/7 throughout the year

Further to this, non-firm connections will have explicit end dates after which the connection will need to be made non-curtaillable if the customer requests it.

Where the DNO needs to manage constraints but would otherwise exceed these curtailment limits, they will need to procure flexibility from DSO services or pay an “exceeded curtailment price”. The methodology for this price has not yet been set but Ofgem have directed that it should be calculated so as to enable competitive price discovery in flexibility markets and that flexibility is sought first.

It is important to note that curtailment as a result of constraints on the transmission network will not be included within this “budget” of curtailment hours.

### **What’s out of scope**

Ofgem had previously considered changing how small-scale distributed generation is charged/paid network charges through this review. However, this will now be considered through the separate taskforce on TNUoS network charges reform.

Ofgem’s decision on how to progress this reform can be found [here](#).

### **Process now**

Following this final decision, Ofgem has now issued a direction for the DNOs to raise code modifications. These modifications will begin shortly.

The aim remains to implement these changes from 1<sup>st</sup> April 2023. However, this is a very tight timescale for the modification groups and therefore, may be subject to delay (as was the case for the Targeted Charging Review).

It is also important to note that Ofgem believe that they cannot implement these decisions without BEIS amending secondary legislation to the ECCR. This therefore represents a further risk to implementation by 1<sup>st</sup> April 2023.

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