

ADE Briefing | Ofgem: Open letter regarding prioritization of electricity network charging reforms | 11 November 2022

Context

On 8th November, Ofgem published an **open letter** setting out its next steps on network charging.

Summary

As a result of moving people onto immediate energy crisis work this Winter, Ofgem's work on longer-term network charging reforms has been de-prioritised.

Regarding short-term priorities, Ofgem are triaging this work on the basis of –

1. Work Ofgem is required to do legally
2. Work needed to deliver a Significant Code Review decision that has already been taken,
3. Work that improves the efficiency or speed of connecting to the electricity system in the near term
4. Work that specifically seeks to support affordability, enhance market stability and/or improve security of supply

What this means in practice for the reforms underway is set out below. Ofgem further note that where industry raises modifications relating to network charging, these will be assessed against the criteria above and may be de-prioritised over this Winter if they do meet them.

Reform	What is it trying to do?	Where has it got to?
TCR – TRIADs	Move most of the TRIAD value into a residual based on connection capacity	*Prioritised in the short-term* Largely finalised. Will start on 1 st April 2023. Only outstanding area is mod underway on complex sites.
TCR – Dx residuals	Move some of the value of red and amber rates into a residual	*Prioritised in the short-term* Largely finalised. Started on 1 st April 2022. Only outstanding area is mod underway on complex sites.
BSUoS reform	Move BSUoS entirely to demand and fix it ahead of time. Either Original as 3-month notice period, and 12-months fixed period or WACM2 of 9-month notice period and 6-month fixed period	*Prioritised in the short-term* Decision on CMP361/362 pending from Ofgem. Implementation planned for 1 st April 2023.

Access	Reduce how much demand and generation pay for reinforcement, improve non-firm connections	*Prioritised in the short-term* Final decision now published by Ofgem. Starting mod groups incl. DCP404-407.
Cost-reflective DUoS	[TBC]	*Now confirmed as paused* Going back to drawing board re aims.
TNUoS Taskforce	Reduce the volatility of TNUoS, DG paying/being paid on TEC	*Delayed but will continue* Ongoing – remains at an early stage. No more meetings will however be scheduled for 2022 but Ofgem will ask the ESO (the Secretariat) to continue work. Meetings will start again in 2023.
TNUoS longer-term reform	Scope: “Will look at TNUoS in the context of potential broader reform to the electricity markets, the changing energy landscape, and Net Zero requirements”	*Delayed but will continue* Work will continue on this within Ofgem during the Winter to keep pace with BEIS’ work on REMA. No timescales are given on publication of this work and it includes the caveat of “progress will continue <i>where possible</i> ”.

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