

Consultation on Ofgem proposal to take forward reform of DUoS charges under a separate SCR on revised timescales

RenewableUK response

9 December 2021

About RenewableUK

RenewableUK's members are building our future energy system, powered by clean electricity. We bring them together to deliver that future faster; a future which is better for industry, billpayers, and the environment. We support over 400 member companies to ensure increasing amounts of renewable electricity are deployed across the UK and to access export markets all over the world. Our members are business leaders, technology innovators, and expert thinkers from right across industry.

RenewableUK and our members welcome the opportunity to respond to this consultation on the proposal to take forward reform of DUoS charges under a separate SCR. In general, we note the need for any reforms to be aligned with the Government's climate targets, including total decarbonisation of the power sector by 2035. Any changes to DUoS should help to facilitate this decarbonisation alongside increased levels of flexibility, storage and low-carbon technologies on the electricity grid.

This is an opportunity to align the principles of both SCRs with the 'strategic priorities and policy outcomes' of government, as set out in the recent Net Zero strategy¹:

*"In September 2021, the Government published updated guidance on how impacts on greenhouse gas emissions should be measured in policy decisions. As a result, **departments must place a significantly higher value on emissions in determining policy**, as the values now fully reflect the UK's increased ambitions on climate. This complements wider considerations on natural capital impacts in policy decisions – and represents a significant step forward in incorporating environmental impacts into policy development."*

1. Do you agree with our proposal to descope DUoS from the Access SCR and take it forward under a dedicated SCR with revised timescales?

Yes, we believe that separating DUoS from the Access SCR and taking it forward under a dedicated SCR is a sensible decision, which should be progressed as soon as possible. We hope that this proposal will allow Ofgem to make a decision on the connection boundary and access rights, as well as providing clarity regarding the pause on TNUoS charges for small distributed generators (SDGs), which is expected to continue alongside broader work on TNUoS associated with Ofgem's call for evidence².

¹ [Net Zero strategy: build back greener \(page 252\)](#), Dept. for BEIS, 19 October 2021

² [TNUoS reform – a call for evidence](#), Ofgem, 1 October 2021

It is important to learn the lessons of how the recent Access SCR has been developed to avoid further delays. The Access SCR includes policy decisions about DUoS, the connection boundary, access rights and TNUoS charges for SDGs, because their policy outcomes are all linked. Descoping DUoS from the Access SCR will now mean that some proposals from the recent Access SCR must be implemented post-2023, which is not ideal. Therefore, we would like to see Ofgem developing an agile approach to this process, taking into account the lessons from the past, in a way that does not delay further policy decisions that are important for the industry.

Finally, Ofgem stated that they do not want to further delay the review of DUoS and wish to start re-engaging with stakeholders – including Challenge and Delivery Groups – via the new DUoS SCR. We welcome this approach and our members are keen to engage with Ofgem during the lifetime of this new SCR.

2. What are your views on timescales for implementation of DUoS reform? How does this interact with wider market developments and what do we need to take into account?

Ofgem cite the earliest implementation date for DUoS reform as 2025, which we think is a realistic target, considering that DUoS needs to be aligned with other policy priorities such as the smart system and flexibility plan, transport and heat decarbonisation, and wider market reform. DUoS reform should also align with any future changes that might be implemented as a result of the BEIS Alternative Energy Markets programme (Phase 1 currently underway, includes the Energy Price Signals study, which looks at Use of System charges).

Reforms to DUoS and the wider energy market are welcome, but understanding how they all tie together can be quite challenging. There are high levels of uncertainty, confusion and fatigue experienced by industry, and to counteract this, our members would like Ofgem to set out a clear roadmap of DUoS reform with an achievable timeline, including interaction with other policy priorities from government.

3. What areas of interactions of DUoS with wider developments in policy/industry do we need to consider in our review?

Challenge and Delivery Groups need the freedom to engage with Ofgem on key issues and openly discuss and challenge ideas. Understanding how the work of stakeholders feeds in to Ofgem's decision-making process is key – members feel that this was becoming ineffective in the existing SCR.

DUoS reform needs to be aligned with the Government's climate targets, including total decarbonisation of the power sector by 2035. Insofar as this is not addressed by other areas of market reform (e.g. work by NGESO Market Reform Group), changes to DUoS should encourage flexible technologies as well as co-location of renewables with flexibility in key geographical areas of the grid in order to make efficient use of high cost connections or reduce the need for grid reinforcements..

Relevant interactions to reform of DUoS charges also include developments on:

- The review of the regulatory framework for ancillary service assets
- The review of CLASS and use of network funded assets developed through 'seed funding' or innovation

Storage of all sizes needs to be treated in a way that reflects the value that these resources provide to the electricity system, both as demand and generation. We believe that policy outcomes from DUoS reform, as well as the interaction between this reform and recent proposals from the Access SCR must be looked at carefully in order to enable the increased level of flexibility required in the network.

DUoS must be aligned with other key policy areas such as electricity market reform, transport and heat decarbonisation. In the Heat and Buildings Strategy³, Government committed to:

"ensuring that the electricity system can accommodate increased electricity demand and heat pumps can be quickly and affordable connected to the network".

In the same document Government states that they have been engaging with distribution network operators (DNOs) and the Energy Networks Association (ENA) to understand the potential scale of the need for local network reinforcement and preparations for electrification of heat.

DUoS has a strong link to RIIO-ED2, specifically in relation to reinforcement, an area that is also linked with proposals on the connection boundary from the recent Access SCR. As mentioned previously, these areas need to be considered very carefully in order to avoid delaying the rollout of low carbon technologies.

4. Have we considered all the impacts of a phased approach to delivering the original scope Access SCR?

We understand that a phased approach will deliver as follows:

Phase 1 - connection boundary and access rights (2023 implementation), focused review of transmission network charges (progression is subject to the Call for Evidence and relevant next steps)

Phase 2 - wide ranging review of DUoS (post-2023 implementation)

In our response to the Access SCR, we highlighted that the option of applying TNUoS charges to SDGs is flawed, and needs to be addressed. We noted that in the analysis, Ofgem ignored many variables that a planning system for renewables needs. Consequently, the proposal was based on a cost analysis that did not reflect the complexity of planning for the energy network. We believe that in light of this new phased approach and the potential reform of TNUoS charges based on the recent call for evidence, Ofgem needs to review the quantitative analysis of the recent Access SCR and update it before confirming the implementation of TNUoS charges for SDGs.

5. Do you have any views on our proposal to retain the scope and governance arrangements of the original Access SCR?

We agree that the original Access SCR should broadly retain its scope and governance arrangements, and that sections relating to DUoS should retain their scope in the new, separate SCR. However, as mentioned in previous questions, we would also like to see that Ofgem ensures that both SCRs are aligned with the strategic priorities from Government, by including a core objective on net zero delivery as a principle aim of each SCR.

³ [Heat and buildings strategy, Dept. for BEIS, 19 October 2021](#)



6. Do you have any other information relevant to the subject matter of this consultation that we should consider?

No comments