

Modification proposal:	<b>Changes to the Distribution Code: DPC 6.2 Equipment at the Ownership Boundary</b>		
Decision:	The Authority <sup>1</sup> directs that the proposed modification to the Distribution Code be made		
Target audience:	Distribution Code users and other interested parties		
Date of publication:	10 December 2015	Implementation Date:	1 January 2016

## Background to the modification proposal

Electricity Distribution Licence holders are required by Standard Licence Condition (SLC) 20 of their licences to have in force, implement, and comply with, the Distribution Code. SLC 21 imposes a duty on licence holders to review and, where appropriate, seek our approval for modification of the Distribution Code so as to better achieve the requirements of SLC 21. The Distribution Network Operators (DNOs) may propose changes to the Distribution Code and initiate work on a review of the Code through the Distribution Code Review Panel (DCRP).

In 2014, Ofgem carried out a review of the connections market in the electricity distribution networks. Our results were published in January 2015.<sup>2</sup> As an outcome of this work, a common Competition in Connections Code of Practice<sup>3</sup> was drawn up and agreed by the Energy Networks Association (ENA) and its members. We gave our approval to this document in July 2015. A new Standard Licence Condition (SLC 52) which requires the DNOs to maintain and comply with the Code of Practice took effect on 30 October 2015.<sup>4</sup>

As a result of the changes above it was necessary to review the Distribution Code to ensure compliance with the Competition in Connections Code of Practice.

### *Drivers for the proposed changes to the Distribution Code*

The key driver is to ensure the efficient management of connections between independent DNO (IDNO) and DNO networks. As the relationships between DNOs and IDNOs have developed, all DNOs have agreed that, in general, a point of disconnection between an IDNO and DNO network will no longer be necessary. They therefore consider it is appropriate to remove the mandatory requirements currently set out in the Distribution Code (Distribution Planning and Connection Code (DPC) 6.2).

<sup>1</sup> References to the 'Authority', 'Ofgem', 'we' and 'our' are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work.

<sup>2</sup> <https://www.ofgem.gov.uk/publications-and-updates/findings-our-review-electricity-connections-market>

<sup>3</sup> <https://www.ofgem.gov.uk/publications-and-updates/our-decision-approve-revised-competition-connections-code-practice>

<sup>4</sup> <https://www.ofgem.gov.uk/publications-and-updates/competition-connections-modification-standard-licence-conditions-electricity-distribution-licence>

### *Industry consultation process*

Following a review of the Distribution Code provisions in DPC6.2, proposed changes were raised at the meeting of the DCRP on 4 June 2015. Subsequent to this meeting, the DCRP consulted the industry. The industry consultation opened on 10 June 2015 and closed on 17 July 2015, with the consultation published on the Distribution Code website.<sup>5</sup> The consultation paper explained the reasoning behind the proposed changes.

Comments were invited from industry participants and stakeholders. In total, two responses were submitted by industry stakeholders. There was one response from a DNO and one response from an IDNO.

The proposal has not brought forward any comments from stakeholders that suggest any material detriment to any User or prospective User.

Two suggested alterations were made to the original proposed changes as a result of the consultation responses. One consultation response suggested making the change voltage-neutral. Originally it was to apply to Low Voltage (LV) connections only. It is now proposed to make the change applicable across all voltage levels. The other consultation response pointed out a terminology issue that could lead to ambiguity regarding the treatment of Building Network Operators (BNOs). The original proposal used the phrase "Other Authorised Distributor" which could have been interpreted to include BNOs. However, the intention is that the changes only apply to IDNOs. Clarification was included in the final draft to maintain the requirement for a point of disconnection with BNOs. Both of the suggestions were accepted and incorporated in the proposed changes.

The Health and Safety Executive (HSE), who were also consulted on the proposed changes, are content with the proposed modification and had no comments to make.

### **The modification proposal**

The modification proposal has a single element. The change proposed is to remove the mandatory requirement for a point of disconnection between a DNO and an IDNO network as described in DPC6.2 for the reasons explained above.

It should be noted that a point of disconnection can still be provided between the DNO and an IDNO network as the proposal does not preclude the installation of a disconnection point. The IDNO or DNO may fit equipment where they think appropriate, especially if it is deemed necessary for safety reasons.

### **DCRP recommendation**

At its meeting on 3 September 2015, the DCRP agreed to the submission to us of the Final Modification Report (FMR) for decision. The FMR, incorporating the proposed legal text and supporting information, was submitted to us on 10 November 2015.

### **Our decision**

We have considered the issues raised by the modification proposal and in the FMR dated 10 November 2015. We have considered and taken into account the responses to the consultation on the modification proposal, included in the FMR. We have concluded that:

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<sup>5</sup> <http://www.dcode.org.uk/consultations/>

1. Implementing the modification will better facilitate the achievement of the objectives of the Distribution Code<sup>6</sup>; and
2. Approving the modification is consistent with our principal objective and statutory duties.<sup>7</sup>

### **Reasons for our decision**

We set out below our views on which of the Applicable Distribution Code Objectives are better facilitated by the modification proposal. We also consider that the modification has no impact on Applicable Distribution Code Objective (c).

#### ***Objective (a): "permit the development, maintenance, and operation of an efficient, co-ordinated, and economical system for the distribution of electricity"***

The main reason for this change is to reduce the cost and inconvenience of connecting an IDNO network to the DNO network.

Until now, it was mandated that a connecting IDNO needed a method of disconnection from the DNO network. As DNOs have become accustomed to IDNOs connecting to their networks and the relationships between the parties have developed, it is now deemed unnecessary to mandate a method for disconnection in the Distribution Code. This proposal removes this requirement. This could have the effect of increasing the speed of connections and also improve efficient expenditure on equipment within the networks. As noted above, the proposal removes the mandatory requirement for a point of disconnection, but a DNO or IDNO may still fit this equipment if it is considered necessary.

Taking the above into consideration, we consider that the proposal does better facilitate Objective (a).

#### ***Objective (b): "facilitate competition in the generation and supply of electricity"***

Under the current Code, the cost of a disconnection point must be borne by the connecting IDNO. As the DNOs and IDNOs agree that, in general, a disconnection point is not necessary, the proposal no longer mandates this to be the case and as a result reduces a potential barrier to connection to the network. This facilitates effective competition in the supply of electricity by reducing the cost of connection for an IDNO to connect to a DNO, and therefore facilitates Objective (b).

### **Decision notice**

In accordance with paragraph 10 of SLC 21 of the Electricity Distribution Licence, we direct that modification proposal 'DPC6.2 Equipment at the Ownership Boundary – Link Boxes' be made. We note that the effect of our decision is that the Distribution Code will be updated accordingly.

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<sup>6</sup> As set out in SLC 21.4 of the Electricity Distribution Licence, see: <https://epr.ofgem.gov.uk/Content/Documents/Electricity%20Distribution%20Consolidated%20Standard%20Licence%20Conditions%20-%20Current%20Version.pdf>

<sup>7</sup> The Authority's statutory duties are wider than matters which distribution licensees must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

We approve the modification proposal and direct that it is implemented on 1 January 2016.

This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

**Gareth Evans**

**Head of Profession – Engineering**

Signed on behalf of the Authority and authorised for that purpose