

Modification proposal:	<b>Distribution Code: DCRP/MP/18/05/Final Modification Report – Implementation of the Demand Connection Code</b>		
Decision:	The Authority <sup>1</sup> has decided to approve <sup>2</sup> this modification		
Target audience:	Distribution licensees, Distribution Code Review Panel, distribution network users and other interested parties		
Date of publication:	5 September 2018	Implementation date:	7 September 2018

## Background

The European Third Energy Package came into force on 3 September 2009. The Requirement for Generators (RfG), Demand Connection Code (DCC) and High Voltage Direct Current (HVDC) codes are part of a suite<sup>3</sup> of European Regulations developed following implementation of the Third Package.<sup>4</sup>

- Commission Regulation (EU) 2016/631 of 14 April 2016 establishing a network code on requirements for grid connection of generators (RfG) – specifies the technical connection requirements that new generators must abide by.<sup>5</sup>
- COMMISSION REGULATION (EU) 2016/1388 of 17 August 2016 establishing a Network Code on Demand Connection (DCC)– specifies the technical connection requirements that new distribution networks connecting to the transmission system, new demand users connecting to the transmission system and new customers wanting to provide demand side response services, must abide by.<sup>6</sup>
- COMMISSION REGULATION (EU) 2016/1447 of 26 August 2016 establishing a network code on requirements for grid connection of high voltage direct current systems and direct current-connected power park modules (HVDC) – specifies the technical connection requirements that new long distance DC connections, new links between different synchronous areas (e.g. interconnectors) and new DC-connected generation (e.g. offshore wind farms) must abide by.<sup>7</sup>

These European Regulations intend to deliver a harmonised set of rules for the operation of the electricity sector in Europe. The European Regulations aim to help ensure security of supply, facilitate the decarbonisation of the energy sector and create a competitive, pan-European market which benefits consumers.

These European Regulations are directly applicable to GB without having to be transposed into our national laws or regulatory frameworks. European Regulations also take precedence in the legal “hierarchy of laws” over domestic law (i.e. if a domestic law is incompatible with a European Regulation, it is the European law which takes precedence).

<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. This decision is made by or on behalf of GEMA.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

<sup>3</sup> Collectively referred to as the European Network Codes (ENCs)

<sup>4</sup> More information on the European Third Energy Package can be found on our website; [link here](#)

<sup>5</sup> Commission Regulation (EU) 2016/631 of 14 April 2016 establishing a network code on requirements for grid connection of generators (referred to as the RfG); [link here](#)

<sup>6</sup> Commission Regulation (EU) 2016/1388 establishing a network code on demand connection; [link here](#)

<sup>7</sup> Commission Regulation (EU) 2016/1447 of 26 August 2016 establishing a network code on requirements for grid connection of high voltage direct current systems and direct current-connected power park modules (referred to as the HVDC); [link here](#)

In GB we already have existing national technical codes and standards for parties that want to connect to the GB electricity transmission system. The Distribution Code covers all material technical aspects relating to connections to, and the operation and use of, the electricity distribution networks. In accordance with our decision to incorporate the new EU requirements within the existing GB regulatory frameworks,<sup>8</sup> this modification seeks to amend the Distribution Code to ensure that it is compliant and remains consistent with the requirements of the DCC. This will provide accessibility and familiarity to GB parties and utilises the existing code governance processes to apply the new requirements in a transparent and proportionate way.

It is important to note that until we formally leave the EU and the terms of the exit are established, we will continue to participate constructively in EU institutions and the European Internal Energy Market (IEM). We will also continue to comply with and implement EU laws.

This decision letter should be read in conjunction with our decisions on GC0100, GC0101, GC0102, GC0102/DCRP and GC0104 as together they implement the requirements of the RfG, DCC and HVDC codes in the Grid and Distribution Codes.

### **The modification proposal**

This modification seeks to implement the DCC by including in the Distribution Code:

- the scope and applicability of the ENCs;
- the technical requirements for distribution-connected Demand Facilities
- the technical requirements for Demand Units used by a Demand Facility to provide Demand Response Services to Distribution Network Operator.

A new section of the Distribution Code (DPC9) is proposed to contain the high level requirements that providers of Demand Side Response (DSR) services to Distribution Network Operators (DNOs) need to comply with. As proposed the drafting allows DNOs to contract with customers individually to provide DSR or with aggregators. In both cases the customer will have identical compliance requirements, but in the latter case the aggregator would have the responsibility to ensure the customer's compliance. Detailed code mapping is available in the annex to the modification report. In this decision letter we highlight the key areas of change.

Previously, a joint GCRP and DCRP Working group was formed as part of Grid Code proposal GC0091 to:

- Comprehensively review the Grid Code to identify those aspects of the DCC requirements which need to be added to the code;
- Undertake a mapping exercise between the EU and GB codes to understand the extent for possible code changes;
- Form proposals, to be taken forward as formal modifications.

GC0091 identified the specific changes necessary to the Grid and Distribution Codes by undertaking a code mapping exercise.

The DCC sets harmonised technical standards for, among other things, the connection of new distribution-connected demand facilities. It also addresses the performance requirements for new demand units used by a demand facility to provide Demand

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<sup>8</sup> Implementing the Electricity EU Network Codes, 18 December 2014; [Link here](#)

Response to the DNOs. Demand Response is an important instrument for increasing the flexibility of the internal energy market and for enabling optimal use of networks. Historically, generation facilities have formed the backbone of providing technical capabilities to System Operators. However, Demand Facilities are expected to play a more pivotal role in the future. As described above, significant work to progress GB understanding of the DCC was undertaken in Grid Code and Distribution Code Review Panel Working group GC0091 that allowed GB stakeholders to engage with the European Network Code drafting process.

### **Distribution Code Review Panel (DCRP)<sup>9</sup> comments and licensee recommendation**

At the DCRP Panel meeting on 7 June 2018, the DCRP considered that the modification proposal would better facilitate the Distribution Code objectives and therefore recommended its approval. The DCRP considers that objective (c) is better facilitated by this modification and it has a neutral impact on the other objectives. This modification was recommended for approval by the DNOs.

### **Our decision**

We have considered the issues raised by the modification proposal and in the Final Report dated 29 June 2018. We have considered and taken into account the responses to the consultation on the modification proposal which are included in the Final Report.<sup>10</sup> We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the applicable objectives of the Distribution Code;<sup>11</sup> and
- approving the modification is consistent with our principal objective and statutory duties.<sup>12</sup>

### **Reasons for our decision**

We note that the DCRP consider that this modification better facilitates objective (c) and has a neutral impact on the other Distribution Code objectives. However, we consider this modification proposal will better facilitate Distribution Code objectives (a), (b), (c) and has a neutral impact on (d). We set out our reasons for this below.

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

The scope of the ENCs is to harmonise systems across the internal energy market. This should help make it easier and more efficient to operate the electricity system, by

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<sup>9</sup> The DCRP is established in accordance with SLC 21 of the Electricity Distribution Licence.

<sup>10</sup> Distribution Code proposals, final reports and representations can be viewed at:

<http://www.dcode.org.uk/areas-of-work/> and <http://www.dcode.org.uk/consultations/>

<sup>11</sup> As set out in Standard Condition SLC 21.4 of the Electricity Distribution Licence available at:

<https://epr.ofgem.gov.uk/Content/Documents/Electricity%20Distribution%20Consolidated%20Standard%20Licence%20Conditions%20-%20Current%20Version.pdf>

<sup>12</sup> The Authority's statutory duties are wider than matters which the Panel and licensees must take into consideration and are largely provided for in statute, principally in this case the Electricity Act 1989.

introducing a common, clear set of requirements which every new demand connection to the electricity network will need to meet.

***(b) facilitate competition in the generation and supply of electricity***

Implementation of the DCC should also help facilitate competition in the supply of electricity. This removes a potential barrier to entry and creates a transparent, level playing field in terms of connection requirements for Distribution-connected Demand Facilities thus improving competition. This modification also facilitates Demand Facilities to provide Demand Response Services to DNOs thus promoting competition in the provision of these services.

***(c) efficiently discharge the obligations imposed upon distribution licensees by the distribution licences and comply with the Regulation and any relevant legally binding decision of the European Commission and/or the Agency for the Co-operation of Energy Regulators***

We agree with the DCRP that DCRP/MP/18/05 better facilitates this objective. This modification was raised in response to the requirement to implement the DCC. This European Regulation is legally binding and directly applicable within GB. The modification seeks to ensure that the Distribution Code is consistent with this European Regulation.

We note that as part of the consultation process, proformas that were created to allow compliance to be demonstrated will not be part of the Distribution Code. Instead they will be subject to on-going development and will be maintained on the Distribution Code website maintained by the Energy Networks Association. This is a similar approach to how application forms for distributed generation is undertaken at present.

**Decision notice**

In accordance with SLC 21.11 of the Electricity Distribution Licence, the Authority hereby directs that the modification to the Distribution Code set out in the Final Report to the Authority of 29 June 2018 be made.

**Peter Bingham**  
**Chief Engineer**

Signed on behalf of the Authority and authorised for that purpose