



Making a positive difference  
for energy consumers

Distribution Network Operators  
and other interested stakeholders

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Date: 3 December 2021

Dear Colleague,

### **Clarification on the treatment of service upgrades for existing distribution connections to single occupancy premises**

The Common Connection Charging Methodology (CCCM) describes how the costs associated with connecting to the electricity distribution network are apportioned between the connecting customer and the Distribution Network Operator (DNO). This includes charges faced by existing customers when they are installing additional load and there is a need for some work to take place. We understand that there are currently different interpretations of this aspect of the methodology. We think a common approach is desirable and set out our views in this letter.

### **Background**

The CCCM was introduced in 2010 to ensure a consistent approach to the way charges for connecting to the electricity distribution network are calculated. The CCCM is set out in Schedule 22 of the Distribution and Connection Use of Agreement (DCUSA).<sup>1</sup> DNOs have a licence obligation to comply with the CCCM at all times (except with the consent of the Authority).<sup>2</sup>

Paragraph 1.30A and 1.30B of the CCCM (as set out in Schedule 22 of the DCUSA) describe the approach for funding reinforcement triggered by work at existing premises or when it is

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<sup>1</sup> DCUSA Schedule 22: [DCUSA Document - DCUSA](#)

<sup>2</sup> Standard licence condition 13: [Electricity Distribution Consolidated Standard Licence Conditions \(ofgem.gov.uk\)](#)

necessary to modify a looped service.<sup>3</sup> These rules apply subject to certain criteria described in the CCCM. We consider that DNOs have a consistent approach to this and the CCCM is sufficiently clear.

There can however be other work that is required in such cases and, while it might be similar or analogous in nature, does not fall within the strict definition of reinforcement or service unbundling (de-looping). The CCCM is therefore silent on these items. For the purposes of this letter, these are:

- Approach to replacing fuses up to the standard size for that DNO
- Approach to changing service cables and or cut-outs as part of the modification

DNOs have told us that there is not one consistent approach to how this work is funded. This means it can either be customer- or DNO-funded depending on where a customer is in Great Britain. The approach taken by individual DNOs can also vary dependent on whether the additional load comes from Low Carbon Technologies (LCTs) or not.

## **Our view**

We consider that different interpretations of connection charging policy by DNOs can lead to different outcomes for customers depending on where they are located. Customers may then face different costs for otherwise identical types of work. We think adopting a common approach is desirable and in customers' interests.

We understand that the majority of DNOs already fund this work or plan to do so from the start of RIIO-ED2 in April 2023. While we do not consider it is appropriate to apply different treatment for one technology over another without good justification, we note that DNOs funding this work could support the uptake of new LCTs as we seek to decarbonise heat and transport. We therefore consider that an interpretation of connection charging policy that results in DNOs funding this work is in the consumers' interests.

For the avoidance of doubt, we consider that this interpretation should be applied in respect of single premises affected by the circumstances described in Paragraph 1.30A of the CCCM. That is, the installation of all equipment at an existing premises which remains connected via an existing low-voltage single, two or three phase service fused at 100 amperes or less per phase which is metered with whole-current metering (and subject to the other provisions described in the CCCM). This would not therefore, for example, include a customer choosing to upgrade from a single- to three-phase supply. We think this strikes

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<sup>3</sup> A looped service is when two or more neighbouring properties share a single electricity service cable. These are often found in terraced or semi-detached houses.

a balance between facilitating the deployment of new LCTs, while not disproportionately impacting consumers who would bear these costs (including vulnerable consumers).

We also note that there are differences in what each DNO describes as their standard fuse size, with the majority being either 80A or 100A. We don't set out a view in this letter on what a minimum standard fuse size should be, but strongly encourage the industry to explore the adoption a common position in the near future.

Given the current drafting of the CCCM does not explicitly address the correct funding approach for fuse change, cut-out change, service cable change, it is possible for individual DNOs to have a different interpretation of what they should be funding (in relation to the above) without necessarily being in breach of their obligations. There may therefore be merit in amending the CCCM to clarify what should be funded by the DNO to ensure a more consistent interpretation is applied. We are however mindful that other potential changes could be raised as part of implementing our Access and Forward-Looking Charges Significant Code Review<sup>4</sup> and this may influence the timing of any proposed modification.

### **Implications for RIIO-ED2**

We have set out above our view on how DNOs should interpret their obligations in relation to which connection services they should fund. We recognise that in advance of a modification to the CCCM it may not be possible for us to enforce compliance with this view. We also recognise that revenue allowances in RIIO-ED1 for certain DNOs may have been predicated upon a different interpretation of which connection services a DNO would be obliged to fund. Requiring a change to this interpretation during RIIO-ED1 may therefore have a negative financial impact on these DNOs. However, we consider that by expressing our views now we are providing DNOs with sufficient notice of what are likely to be the arrangements in place for RIIO-ED2.

Should you wish to discuss the contents of this letter, please contact David McCrone ([david.mccrone@ofgem.gov.uk](mailto:david.mccrone@ofgem.gov.uk)) in the first instance.

Yours faithfully,

**Patrick Cassels**  
**Head of Electricity Network Access**

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<sup>4</sup> [Access and Forward-looking Charges Significant Code Review - Consultation on Minded to Positions | Ofgem](#)