Clarification on security cost apportionment rule for Additional Load requests

UU/2007/006

Title: Proposal to modify United Utilities' Licence Condition 4B Statement 2007/08 to amend the application of the Security Cost Apportionment Factor (CAF) rule in respect of additional load requests.

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Description of the Proposed Modification:

It is proposed to clarify the calculation of the Cost Apportionment Factor used to establish the proportion of reinforcement costs attributed to an applicant who requests an increase to their existing Maximum Capacity requirements. The amendment clarifies that, where an existing customer requests an increase in capacity, the term Required Capacity as used in the formula for Security CAF (below) shall be defined as the incremental capacity required by the customer:

$$\text{Security CAF} = \frac{\text{Required Capacity}}{\text{New Network Capacity}} \times 100\% \quad \text{(max. 100\%)}$$

Reasons for the change with an explanation of how the proposed change better meets the relevant objectives:

The aim of this change is to better meet 'relevant objective' (c) "that compliance with the connection charging methodology results in charges which reflect, as far as is reasonably practicable (taking account of implementation costs), the costs incurred by the licensee in its distribution business".

An existing customer is already contributing to the costs of the assets provided to meet its current requirements. This may have included past connection charges as well as ongoing Maximum Capacity charges, within the Use of System charges paid by its supplier. It is therefore more appropriate to identify only the proportion of additional costs that relate to the additional Maximum Capacity requested when determining the connection charge.

Proposed wording for the methodology statement and (if applicable) the charging statement:

The proposed changes are shown below in italics.

Reinforcement

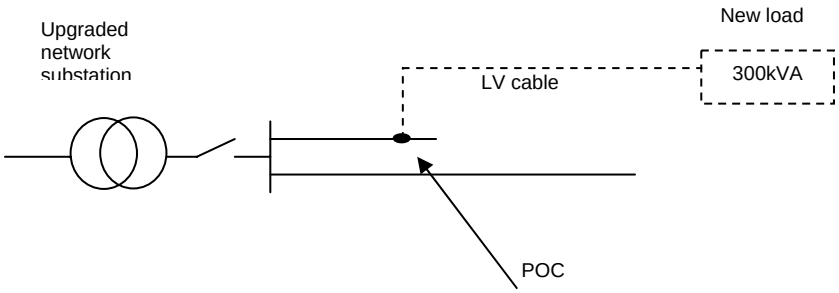
6.16 'Required capacity' is the design capacity of the connection, agreed through negotiation with the customer. *Where an existing customer requests an increase in capacity then the 'Required Capacity' is defined as the incremental capacity required by the customer.* For multiple connections the design connection capacity will be the total capacity required after consideration of the effects of diversity.

'New Network Capacity' is the effective capacity of an asset following its reinforcement.

Worked Examples

Example 11 - Additional Load for commercial supply requiring reinforcement

A customer has an existing 200kVA 230/400 V three phase supply and wants to increase the on-site load to 300kVA. The 500kVA transformer at the local network substation is fully loaded and will have to be replaced with an 800kVA transformer. The assets provided from the point of connection to the customer's premises are fully chargeable as a new connection.



Estimated cost of contestable activity

	Cost
Provision and installation of LV cable	*£15,450*
Metering panel	*£ 1,500*

Estimated cost of non - contestable activity

	Cost
Replacement of 500 kVA transformer	*£24,600*
LV joint to network	*£ 358*

Estimated Connection Charge

1. *The assets and work concerned with the connection only are charged in full to the customer. Estimated connection charge is £17,308 (ie £16,950 for contestable assets and £358 for non-contestable assets).*

2. *The network has been reinforced by upgrading the local transformer. The cost of this asset and associated work is apportioned to the customer using the Security Cost Apportionment Factor.*

   Security CAF = 100/800 x 100% = 12.5%

   Total cost of reinforcement = £24,600

   The reinforcement re-apportionment charge = £24,600 x 12.5% = £3,075

3. *The total estimated cost of this connection is £20,383.*

A timetable for the implementation of the modification and charge changes:

United Utilities intends to publish the amended Licence Condition 4B Statement as soon as practical after 1st April 2007.