



Response by Northern Powergrid (Northeast) plc and Northern Powergrid (Yorkshire) plc to the Statutory Consultation on Connections Reform Costs related Modifications to Electricity Distribution Licence Special Conditions

KEY POINTS

- We welcome Ofgem's acknowledgment that implementation of TMO4+ and the application of G2tWQ process as a part of CMP 435 will expose licensees to potentially significant costs.
- We acknowledge that there are no current allowances for TMO4+ implementation costs or any mechanism for recovery of those costs, and we support Ofgem in its proposals to introduce a mechanism for the recovery of reasonable, incremental costs incurred as a result of the implementation of GT2WQ.
- We agree that to facilitate costs recovery, modifications are required to the licensees' Special Licence Conditions and that there is need for an accompanying Governance Document to establish the parameters and requirements for that cost recovery.
- We are largely in agreement with Ofgem's proposals but have suggested amendments to the Connections Reform Costs Governance Document in our response to the Consultation questions below. In particular, we have suggested that the reasonable costs of dealing with complaints and determinations should be recoverable.

Responses to the consultation questions

- 1) Do you agree with our proposed modifications to Chapter 1 of the Special Conditions of the Electricity Distribution Licence? Please provide reasons for your answer and any alternative suggestions if you disagree.**

We agree that modifications are required to Chapter 1 of the Special Conditions of the Electricity Distribution Licence to introduce the five new definitions identified in paragraph 2.1 of the Ofgem Consultation document to support the introduction of the proposed new G2tWQ implementation costs recovery mechanism.

- 2) Do you consider any further modifications to Chapter 1 of the Special Conditions of the Electricity Distribution licence are necessary? Please provide reasons for your answer and identify any changes you consider to be needed, if applicable.**

We do not believe that any further modifications to Chapter 1 of the Special Conditions of the Electricity Distribution Licence are required.

3) Do you agree with our proposed amendments to Chapter 6 of the Special Conditions of the Electricity Distribution Licence? Please provide reasons for your answer.

Yes, we agree with your proposed amendments to Chapter 6 of the Special Conditions of the Electricity Distribution Licence, as being necessary to establish the status of the Connections Reform Costs Governance Document ("the Governance Document") and to introduce a corresponding licence obligation requiring licensees to comply with the Governance Document requirements, as well as to secure the inclusion of Connections Reform Costs in the formula for calculating pass through items.

4) Do you consider any further modifications to Chapter 6 of the Special Conditions of the Electricity Distribution Licence are necessary? Please provide reasons for your answer.

No, we do not believe that any further modifications are required.

5) Do you agree with our proposed drafting of the Connections Reform Costs Governance Document? Please provide reasons for your answer.

Para 2.4 of the Governance Document should allow for inclusion of costs incurred in responding to any legal challenge or complaint arising as a result of the implementation of G2tWQ in the scope of recoverable legal costs. The scope of recoverable costs should not distinguish between types of dispute resolution and should include pre-litigation costs, litigation costs and the costs of all forms of dispute resolution to include determinations by the Authority. Furthermore, in practice, the same dispute has the potential to simultaneously be a complaint, litigation and/or a determination, and trying to categorise it as only one of these is not rational or necessary. The costs of dealing with such disputes should be recoverable.

Therefore paragraph 2.4 of the Governance document should read:

In particular, Connection Reform Costs may include certain legal costs attributable to the Licensee's role in the implementation of G2tWQ. While we consider that the existing statutory and regulatory framework enables the reforms to be adopted and implemented lawfully and effectively, we cannot exclude the risk of legal challenge, which could involve the Licensees. Connections Reform Costs therefore includes costs of, or incidental to, disputes arising directly from the implementation of G2tWQ, to which the Licensee is a party (should such disputes arise).

6) Do you consider any further modifications to the Connections Reform Costs Governance Document are necessary?

We do not consider any further modifications to the Connections Reform Costs Governance Document to be necessary.
