

WESTERN POWER DISTRIBUTION (SOUTH WALES) PLC

Modification Proposal

Amendment Proposal: WPD/WALES/004

**Charges for Reinforcement of the Existing Distribution System:
Clarification of the "Voltage Rule"/incremental increases**

Date of Issue: 11 September 2006

For Approval by the Authority

This Modification Proposal sets out Western Power Distribution (South Wales) plc's ("WPD") proposals to amend WPD's Connection Charging Methodology contained within its Statement of the Connection Charging Methodology and Basis of Charges for Connection to Western Power Distribution (South Wales) plc's Electricity Distribution System (the "Statement").

Issue Record

Issue Date	Issue No.	Author	Amendment Details
September 2006	001	Tim Hughes	

1.0 Introduction

1.1 In accordance with Condition 4B, paragraph 10(a) of WPD's Distribution Licence, we request a modification to our connection charging methodology.

1.2 This Modification Report sets out:

- i) the terms proposed for the modification;
- ii) how the modification would better achieve the relevant objectives; and
- iii) a date with effect from which the modification is to take effect.

1.3 The relevant objectives in Licence Condition 4B, paragraph 3 state:

- (a) that compliance with the connection charging methodology facilitates the discharge by the licensee of the obligations imposed on it under the Act and by this licence;
- (b) that compliance with the connection charging methodology facilitates competition in the generation and supply of electricity, and does not restrict, distort, or prevent competition in the transmission or distribution of electricity;
- (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; and
- (d) that, so far as is consistent with sub-paragraphs (a), (b) and (c), the connection charging methodology, as far as is reasonably practicable, properly takes account of developments in the licensee's distribution business.

1.4 This modification proposal addresses changes to better meet objective 3(c) of Licence Condition 4B. There are two separate changes proposed which both relate specifically to the application of the Apportionment Rules:

- i) revision of wording to clarify the Voltage Rule;
- ii) removal of reference to incremental increase in load.

2.0 Change to clarify the Voltage Rule

2.1 Proposals for Modification

2.1.1 It is proposed that minor wording changes are made to the 'voltage level rule' in paragraph 1.2.2 of WPD's Statement to make it clear that the voltage of the point of connection is used.

2.2 Justification for Modification

2.2.1 Ofgem have highlighted that the current application of the 'voltage level rule' in paragraph 1.2.2 of WPD's Statement is ambiguous as it is unclear whether this applies to the voltage of supply or the voltage of the point of connection.

2.3 Proposed Changes to the Statement

- 2.3.1 Under Section 1.2.2 – “Reinforcement of the existing distribution system” the fifth paragraph shall be amended as follows:

‘The costs associated with the reinforcement of existing WPD System assets, up to one voltage level above *the voltage of the point of connection*, will be split with a share attributed to the connecting party based on their requirements as part of their connection charge and the remainder recovered through Use of System tariffs. These rules apply to both demand and generation connections and apply to all distribution voltages and EHV (ie at a voltage level at or higher than 22kV, or at a sub-station with a primary voltage of 66kV or above).’

- 2.3.2 Under Section 1.2.2 – “Contribution to existing reinforcement assets” the third paragraph shall be amended as follows:

‘The Apportionment Rules will not apply when the reinforcement required is more than one voltage level above the voltage of *the point of connection*.’

3.0 Removal of reference to incremental increase in load

3.1 Proposals for modification

- 3.1.1 It is proposed that reference to previous increases in load at the connection be deleted from paragraph 1.2.2 of WPD’s Statement.

3.2 Justification for Modification

- 3.2.1 The reference is no longer appropriate since the 25% rule was replaced by the Apportionment Rules.

3.3 Proposed changes to the Statement

- 3.3.1 Under Section 1.2.2 – “Contribution to existing reinforcement assets” the second paragraph should be deleted in its entirety:-

~~“Previous increases in load at the connection will be taken into account in determining the aggregate Required Capacity.”~~

4.0 Implementation Date

- 4.1 This modification is proposed for implementation on 10th October 2006 or, in any event, as soon as possible thereafter.