



Modification Proposal

Amendment Proposal: Central Networks East

Charges for Reinforcement of the Existing Distribution System:

Clarification of the "Voltage Rule"

Date of Issue: October 2006

For Approval by the Authority

This Modification Proposal sets out Central Networks East's proposals to amend its Connection Charging Methodology contained within its Licence Condition 4 Connection Charging Methodology Statement (the "Statement").

Issue Record

| Issue Date | Issue No. | Author | Amendment Details |
|--------------|-----------|-----------|-------------------|
| October 2006 | 001 | John Hill | |

1.0 Introduction

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

1.2 This Modification Proposal sets out the following: -

- 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 (a), (b), (c) and (d) of Licence Condition 4B detailed above. The proposal relates to a change of wording to clarify the Voltage Rule.

2.0 Change to clarify the Voltage Rule

2.1 Proposals for Modification

- 2.1.1 Central Networks proposes that minor wording changes are made to the 'voltage level rule' in Section 2.6 of Central Networks East'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 identified in their discussion note ISG dated 25 April 2006 that the current application of the 'voltage level rule' 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 2 – Methodology of the Statement Section 2.6 the first sentence shall be amended to read: -

Reinforcement costs will be limited to one voltage level above the voltage of the point of connection.

3.0 Implementation Date

- 3.1 This modification is proposed for implementation on 1 December 2006 or as soon as possible thereafter.