



SP Transmission & Distribution

MODIFICATION REPORT

SP DISTRIBUTION

**Amendment Proposal COM-06-003
Extending the Scope of Contestable works.**

Date of Issue: 20th October 2006

For approval by the Authority



1. SCOPE

This report sets out the proposed modification to SP Distribution's Connection Charging Methodology, in respect of extending the scope of contestable works;

2. ISSUE RECORD

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Issue Date	Issue No	Author	Amendment Details
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3. ISSUE AUTHORITY

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5. PROPOSED MODIFICATION

5.1 Proposed Changes to the Connection Charging Methodology

5.1.1 Introduction

SP Distribution is obliged under SLC Condition 4B of our Distribution Licence to:

- review the Connection Charging Methodology at least once in every year;
- make such modifications to the Connection Charging Methodology as may be necessary for the purpose of better achieving the relevant objectives.

SP Distribution has reviewed its Connection Charging Methodology. The review was undertaken by taking account of the objectives set out in SLC4 Paragraph 3.

In accordance with Ofgem's decision letter dated 13th April 2006 it has been necessary to extend the scope of contestable works to include certain elements of reinforcement and diversionary works. To this effect a review of Section 4 (*'Connections provided on a competitive basis for new housing/light commercial developments'*) has been undertaken.

5.2 Justification for Proposed Modification

The proposed modification change will allow the methodology to better meet the relevant objectives as set out in SLC4B Paragraph 3(a), (b), (c) and (d), which are:

- 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.



The modification will better achieve these objectives in the following manner:

- Compliance with the Connection Charging Methodology further facilitates competition in connections in accordance with Paragraph 3(b) of the SLC4B.

5.3 Implementation Date

This modification is proposed for implementation on 1st December 2006.

5.4 Proposed Changes to the Connection Charging Methodology

It is proposed that the Connection Charging Methodology be modified as follows;

In Section 4.1 insert the following:

‘Certain types of reinforcement and diversionary work may be carried out by suitably accredited ICPs for adoption by SP Distribution. The scope of such work is limited to reinforcement and diversionary works associated with a connection which:

- *Are new works that are physically and electrically separate from the existing infrastructure.*
- *Do not require access to existing SP Distribution operational areas.*
- *Are fully funded by the single third party who is seeking the connection*
- *Are restricted to works to install overhead lines and underground cables at voltages not exceeding 33kV and HV/LV distribution substations.*

The design of reinforcement works can require a large volume of information about the distribution network. The level and complexity of information that would need to be made available to allow the ICP to carry out such design works is likely to outweigh the benefits of including design work within the scope of contestability. The design of connection reinforcements therefore remains non-contestable.

The design of the majority of diversion projects associated with connection projects is likely to be less complex than the design of reinforcement schemes. The design of diversionary works can be contestable for overhead lines and underground cables not exceeding 33kV and HV /LV distribution substations. The dismantling and disposal of existing assets remains non-contestable, because it would require access to the existing network.’

In Section 4.2 make the following amendments;

- *‘Consents for upstream reinforcement assets (except as provided for under Section 4.1)*



- Construction / installation of upstream reinforcement assets. (*except as provided for under Section 4.1*)
- Design of necessary diversion *exceeding 33kV* / removal / modification of existing DNO'
- ~~Diversion~~ / removal/modification of existing DNO assets.
- Diversion of existing DNO assets (*except as provided for under Section 4.1*)'

In Section 4.3 make the following amendments;

- Commissioning of connection assets.
- *'The design of diversionary works can be contestable for overhead lines and underground cables not exceeding 33kV and HV/LV distribution substations.'*
- *Certain types of reinforcement and diversionary works as provided for under Section 4.1*

5.5 Indicative Impact on the Connection Charges

The proposed change has no impact on the Connection Charges and is provided for clarity of contestable and non contestable activities.

5.6 Impact on Other Industry Documents

No amendment is proposed to Industry Documents as this modification represents a minor change, it is not anticipated that this will have any impact and require any changes to contract documents.

5.7 Consultations

As this proposed modification is for the purpose of implementing the proposals in Ofgem's decision letter dated 13th April 2006, it does not necessitate an industry consultation.