

Modification Proposal

Modification number: 0006N/2006 – Extension of contestability in reinforcement and diversions

Clarification of the extension of contestability to reinforcement and diversions. The proposed new section will be added to section 7.1 of the existing Connection Charging Methodology and Statement for Northern Electric Distribution Ltd (NEDL).

Date Submitted: 27 November 2006

Version number: 1.0

Date Approved:

Date Rejected:

Proposed Implementation Date: 1 January 2007

Details of Proposal:

CE Electric UK proposes to extend section 7.1 of the existing statement to confirm that certain types of reinforcement and diversion are now contestable. This change will apply to both Yorkshire Electricity Distribution plc (YEDL) and Northern Electric Distribution Ltd (NEDL). The change is to reflect Ofgem's decision letter dated 13 April 2006 – proposal for extending the scope of contestable works in relation to competition in electricity connections reference 69/06. The change further extends Ofgem's proposal A1 to include 66kV overhead lines of standard wood-pole construction.

A change-tracked copy of the existing statement is attached for reference. This would be re-dated 1 January 2007 should you approve our proposed change.

Description of the changes:

It is proposed to extend section 7.1 by adding the following text.

Reinforcement and Diversions

Certain types of reinforcement and diversionary work may be carried out by suitably accredited Independent Connections Providers (ICPs) for adoption by NEDL. 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 existing DNO infrastructure;
- do not require access to existing DNO operational areas;
- are fully funded by the single third party who is seeking the connection; and
- are restricted to works to install overhead lines of standard wood pole construction and underground cables at voltage levels not exceeding 66 kV 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 are 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 of standard wood pole construction and underground cables not exceeding 66kV and for HV/LV distribution substations. The dismantling and disposal of existing DNO assets remains non-contestable because it would require access to existing DNO assets and/or operational areas.

Licence objectives:

The connection charging methodology and statement has the following objectives set out in standard licence condition 4B:

(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.

Why the proposal better meets the objectives:

Having reviewed our methodology we believe the proposed change better meets the objective set out in standard licence condition 4B in particular section (b) above as it provides the facility for parties to carry out certain diversion works on construction and development projects in conjunction with their new connections on a contestable basis, and therefore further facilitates competition.

It should be noted that there are no consequential impacts on charges, or other industry documents.

Conclusions:

As this is merely a clarification of our statement to reflect our approach to contestability we would like to introduce this change from 1 January 2007. We would therefore ask Ofgem to consider this proposal and inform us of their decision.