

## **WESTERN POWER DISTRIBUTION (SOUTH WALES) PLC**

### **Modification Proposal**

**Amendment Proposal: WPD/WALES/006**

### **Charges for Reinforcement of the Existing Distribution System: Clarification relating to incremental increases in Required Capacity**

**Date of Issue: 5 December 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**

<b>Issue Date</b>	<b>Issue No.</b>	<b>Author</b>	<b>Amendment Details</b>
December 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. The change proposed relates specifically to the application of the Apportionment Rules and the revision of wording to clarify the method upon which the Required Capacity shall be calculated when dealing with an incremental increase in load for a connection.

## **2.0 Change to clarify the calculation of Required Capacity**

### **2.1 Proposals for Modification**

2.1.1 The current definition of Required Capacity given within Section 1.2 of Part A of WPD's Statement states:

*"The Required Capacity means the design capacity of the connection at the Exit Point, as agreed between the connecting party and WPD, and laid down in the Connection Agreement."*

2.1.2 It is proposed to add a further definition of Required Capacity to be used when considering a request from an existing customer to increase the agreed capacity of the connection and to clarify the basis upon which a connecting party will be expected to contribute to existing reinforcement assets.

## 2.2 Justification for Modification

- 2.2.1 The Authority has highlighted that WPD's current methodology is not clear on the treatment of existing customers who ask for a further increase in capacity.<sup>1</sup>
- 2.2.2 The Authority has stated that there is currently a conflict in terms and that WPD's proposal to amend the terms would create a situation where WPD would not need to consider previous incremental increases in load. The Authority's view is that this proposal would not improve cost reflectivity of the charges.
- 2.2.3 The Authority notes that greater clarity is required in the Statement on this issue therefore WPD's new proposal will clarify the method used to calculate the Required Capacity by using the difference between the existing and augmented capacity following reinforcement as the calculator.

## 2.3 Proposed Changes to the Statement

- 2.3.1 Under Part A, Section 1.2, paragraph 1.2.1 – "Minimum scheme costs" the following changes are proposed:

*'The costs to be recovered in the Connection Charge will be determined from the estimated costs of the minimum scheme that would be designed to meet the Required Capacity of the connection for the sole benefit of the party being connected, consistent with sound engineering practices and subject to the specifications and standard sizes of equipment used by WPD.'*

*For a new connection the Required Capacity means the design capacity of the connection at the Exit Point, as agreed between the connecting party and WPD, and laid down in the Connection Agreement. For multiple connections this may be after taking account of demand diversity and appropriate design standards.*

*For augmentation to an existing connection the Required Capacity means the difference between the existing and augmented design capacity of the connection at the Exit Point as agreed between the connecting party and WPD, and laid down in the variation to the Connection Agreement.*

*Capacity may be for either imports from or exports to WPD's System and subject to variation in power factor. The minimum scheme will include the cost of assets for the sole benefit of the party being connected and, where appropriate and in accordance with paragraph 1.2.2 below, the cost of any reinforcement assets. Where WPD requires the assets installed to be of greater size and capacity than the practicable minimum scheme required for that connection, the costs in excess of that minimum scheme shall normally be borne by WPD. Where the minimum scheme is capable of accommodating additional connections and the relevant parties agree at the time of application to pay a share of the connection costs then the costs of the scheme will be apportioned accordingly.'*

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<sup>1</sup>The Authority's Decision in relation to a Modification proposal to the connection charging methodology: Clarification of the 'Voltage Rule' and incremental increases, dated 5 October 2006.

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

*‘In cases where reinforcement assets have been installed to allow ~~the connection of a party~~ an initial party to connect to the WPD System, or to augment an existing connection and due to the incremental plant sizes spare capacity has been created a large proportion of this cost will be recovered through Use of System tariffs. However if a subsequent party then connects to the network using some or all of the spare capacity, a proportion of the reinforcement costs will be charged to the ~~second comer~~ subsequent party within the prescribed periods. Similarly, if the initial party requests a further increase in capacity using some or all of the spare capacity, a proportion of the reinforcement costs will be charged to the initial party within the prescribed periods.’*

- 2.3.3 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.”~~*

### **3.0 Implementation Date**

- 3.1 It is proposed to implement this modification on 1<sup>st</sup> January 2007 or, in any event, as soon as possible thereafter.