



**Modification Proposal**

**Amendment Proposal: Central Networks East**

**Clarification on the Application of the Apportionment  
Rules**

**Date of Issue: December 2007**

**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 |
|---------------|-----------|-----------|-------------------|
| December 2007 | 003       | 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 seeks to clarify the application of the Apportionment Rules where reinforcement is triggered by a customer's request for a new or increased connection capacity and therefore will better meet objectives 3(a), (b), (c) and (d) of Licence Condition 4B detailed above. The proposal relates to the addition of the following: -

It is proposed that within Section 2 of Central Networks East's Connection Charging Statement there is included a paragraph on how subsequent comers who derive their connection capacity from previously reinforced assets are charged for their share of such assets. Also there is included a definition of Required Capacity.

## **2.0 Modification to the Statement to include an additional paragraph within Section 2 paragraph 2.6 together with a definition of "Required Capacity"**

### 2.1 Proposals for Modification

- 2.1.1 Central Networks proposes that the following wording is inserted in paragraph 2.6 of Section 2 of its Connection Charging Statement. The wording to be inserted between the words....."recovered through use of system tariffs." and "Apportionment rules for reinforcement....."

*However if another party subsequently connects to the network and utilises some or all of the remaining capacity, a proportion of the reinforcement costs will be charged to the second comer within the prescribed five year period.*

Within Section 2 paragraph 2.7 of the Connection Charging Statement, there is to be included a definition of Required Capacity as worded below in italics, together with an explanation as to how the Apportionment Rules shall be applied where the customer requests an increase in supply capacity which is derived from previously reinforced assets both within and outside the prescribed five year period. (The remaining parts of Section 2 will be re-numbered accordingly).

*The Required Capacity is the capacity requested by a connecting party, or for multiple connections (e.g. a housing development) the total capacity required after we have taken into account their diversity of demand.*

*Where a customer requests an increase in supply capacity within the prescribed five year period, (such capacity being afforded from previously reinforced assets), then the Apportionment Rules shall be applied and the Required Capacity in such cases shall be the incremental increase in the customer's supply capacity.*

*Where a customer requests an increase in supply capacity which is outside the prescribed five year period, (such capacity being afforded from previously reinforced assets), then the Apportionment Rules shall not be applied and the customer shall not be liable for any charges associated with past reinforcement. The only charges that will be applied are those associated with any new assets, if required.*

*Where a customer requests an increase in supply capacity within the prescribed five year period and such increase triggers further reinforcement of the previously reinforced assets, then the Required Capacity shall be the total supply capacity required by that customer.*

*Where a customer requests an increase in supply capacity which is outside the prescribed five year period but nonetheless triggers further reinforcement, then the Required Capacity shall be the incremental increase in supply capacity.*

## 2.2 Reasons for a Modification

2.2.1 Central Networks believes that adding a paragraph within paragraph 2.6 of Section 2 of its statement on how subsequent comers are charged regarding reinforcement charges where they derive their connection capacity from previously reinforced assets will provide greater transparency.

By including a definition of Required Capacity will also provide greater clarity regarding the figure used in the determination of the Cost Apportionment Factor.

## 3.0 Implementation Date

3.1 This modification is proposed for implementation on 1 February 2008 or as soon as possible thereafter.