



Modification Proposal

Amendment Proposal: Central Networks East

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

Date of Issue: February 2008

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
February 2008	004	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.

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 of when the network was reinforced.

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 and this request is satisfied via previously reinforced assets. (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 diversity of demand. Where an existing customer requests an increase in capacity then the Required Capacity is defined as the incremental capacity required by the customer.

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 April 2008 or as soon as possible thereafter.