

Modification Proposal

Modification number: 0010N/2008 – Apportionment rule housekeeping

In summary there are 5 changes within this proposal:

- Housekeeping changes to move and clarify the text relating to incremental load increases from section 11.5 to within 3.5
- insert the text “(see section 3.5)” in 3.8
- move section 11.6 to 3.8
- move section 11.7 to 3.9; and
- add a sentence to the new section 3.5 to clarify that NEDL’s default position is to base the charge for reinforcement under the apportionment rule on the incremental capacity required by the customer.

Date Submitted: 17 June 2008

Version number: 1.0

Date Approved:

Date Rejected:

Proposed Implementation Date: 1st August 2008

Details of Proposal:

NEDL proposes to make its condition 13 statement clearer by further clarifying the treatment of incremental increases and reorganising the sections so that all text relating to the apportionment rule is located in the same part of the document.

We propose to combine the first and fourth bullet points in section 11.5 relating to incremental increases, remove the text from 11.5 and place it within 3.5, include a reference to 3.5 in section 3.8 and to move 11.6 to 3.8 and 11.7 to 3.9. There are changes to the numbering of other sections as a result of this housekeeping. A new sentence will then be inserted at the end of the first bullet point of the revised section 3.5 to state that NEDL’s default position is to base the charge for reinforcement on the incremental capacity required by the customer.

These changes would apply to both Yorkshire Electricity Distribution plc (YEDL) and Northern Electric Distribution Ltd (NEDL). This proposal is being submitted at the same time as two other apportionment-related housekeeping changes. The three proposals are being submitted separately in order that each is considered individually, on its own merits.

A change-tracked copy of our existing NEDL statement is attached for reference. This would be redated should you approve our proposed change. In addition, there is a separate word document included for each section that is being amended, also change-tracked.

Description of the changes:

- 1) To make NEDL’s 13 statement clearer by further clarifying the treatment of incremental increases. This will be done by combining the first and fourth bullet points in section 11.5.
- 2) To delete the following text from the beginning of section 11.5 because the point is already made in section 3 of the document:

Additional off-site works necessary to provide your connection to the distribution system (which for this

purpose means works occasioned by the new or increased connection, but not for its sole use) will be charged for, subject to the following:

- *charges for reinforcement will normally be based on the apportionment rules that are described in our methodology.*

3) To remove the text from section 11.5 (after changes 1 and 2) and place it within section 3.5 (Reinforcement Apportionment Rules).

4) To insert a new sentence at the end of the first bullet point of the revised section 3.5:

“Outwith this type of scenario, however, NEDL’s default position is to base the charge for reinforcement on the incremental capacity required by the customer.”

Section 3.5 will then read as follows:

The 25% rule for allocation of reinforcement costs has now been removed and replaced with a more proportionate method known as the apportionment rules. This means that connecting parties, both demand and generation, are required to contribute to reinforcement costs on a sliding-scale basis.

The apportionment rules may not be applied under certain circumstances, including the circumstances outlined below and in sections 3.8, 3.9, 3.10 and 3.11.

- *Previous related increases will be taken into account in determining the requested capacity to be applied under the rules. For example, where a customer has funded reinforcement as part of a previous connection charge under the apportionment rules and applies for further capacity within 5 years, we reserve the right to re-apply the apportionment rule based on the capacity initially requested plus the further capacity requested. Outwith this type of scenario, however, NEDL’s default position is to base the charge for reinforcement on the incremental capacity required by the customer*
- *in general, charges will not take into account reinforcement more than one voltage level above the voltage of connection where the proposal or existing connection arrangement is of a type considered by us as typical of the majority of connection arrangements on our system; and*
- *for the avoidance of doubt, reinforcement which includes the provision of transformers shall be considered as being equivalent to the secondary voltage of the transformer equipment.*

In certain circumstances, the apportionment rules may not apply; in particular:

- *where a speculative project is for infrastructure only. For example, cables to the boundary of a site where the developer does not require an exit point at that time;*
- *where a speculative project end users or their requirements are not known. For example, the developer will adapt the site and the loads to accommodate the end user’s;*
- *where on a speculative project the capacity requested is significantly higher than the end user’s initial requirement;*
- *if reinforcement is required to support abnormal electrical characteristics, for example, large motors, welders or abnormally excessive fault-level contribution;*
- *where on a speculative project the connection involves additional assets necessary due to the nature of the end user’s installation and where the additional assets would not be required if that installation were typical of the majority of installations connected to our network.*

In such circumstances, reinforcement costs may be charged to the developer or customer in full.

In the case of network reinforcement the existing assets will be removed and in some cases will be old or not reusable, but in other cases will have some residual value and we will retain this value on behalf of customers in general for future use on the network where appropriate.

The cost associated with reinforcement of existing distribution network assets will be split, with a share attributed to the connecting party based on their requirements as part of the connection charge and the remainder normally recovered through NEDL’s use of system tariffs.

Reinforcement of the existing system (which for this purpose means works occasioned by the new or increased connection, but not for its sole use) will be charged based on the apportionment rules.

Apportionment rules for reinforcement are split between a network security rule and a fault-level rule. These rules apply to both demand and generation connections and apply to all distribution voltages and EHV. There may be interactions between the rules on more complex schemes. The rules will be applied in a consistent manner, which means the network security rule will apply to reinforcement works driven by compliance with the security requirement, while any other costs (not already apportioned according to the network security rule) associated with any reinforcement of assets to ensure the network fault levels remain within rating will be apportioned according to the fault-level rule.

Reinforcement costs will be calculated as follows to determine the proportion of the reinforcement costs that should be paid by a connecting party.

The proportion of reinforcement costs to be charged to the connecting party will normally be determined by the cost apportionment factor as determined by the apportionment formulae set out in sections 3.6 and 3.7. Sections 9.3.10 and 9.3.11 provide worked examples of the effect of the formulae.

5) To insert "(see section 3.5)" in the last paragraph of section 3.8 so it reads:

Where we deem a project to be speculative under these or other circumstances, we reserve the right to charge for the full cost of the work including any reinforcement (see section 3.5) and to apply an additional charge to reflect ongoing operation, repair and maintenance costs.

6) To move section 11.6 (High cost projects) to section 3.8 and move section 11.7 (Enhanced connections) to section 3.9.

A change-tracked copy of our existing statement is attached for reference.

Licence objectives:

The connection charging methodology and statement has the following objectives set out in standard licence condition 13:

(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:

The proposal further facilitates competition by making the apportionment rules clearer through an additional explanatory sentence and associated editing that keeps all apportionment-related text within the same part of the document.

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

Conclusions:

As this is merely a modification of our statement to make the issue of apportionment clearer we would like to introduce this change as soon as possible after the Authority's approval. We would therefore ask Ofgem to consider this proposal and inform us of their decision.