

Modification Proposal

Modification number: 0012N/2008 – Initial contributor housekeeping

Housekeeping change to explain that retrospective charges for reinforcement costs only apply when there is an initial contributor.

Date Submitted: 17 June 2008

Version number: 1.0

Date Approved:

Date Rejected:

Proposed Implementation Date: 1st August 2008

Details of Proposal:

NEDL propose to make their condition 13 statement clearer. It seeks to explain that connecting customers will only be liable for a proportion of the reinforcement costs if they derive a benefit from them, connect within 5 years of the assets being installed and there is an initial third-party contributor. This will be done by re-wording paragraph 11.9 (“expenditure before need”) and giving it a new title (Charges in relation to previous expenditure).

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.

This change would apply to both Yorkshire Electricity Distribution plc (YEDL) and Northern Electric Distribution Ltd (NEDL), although the YEDL proposal is being submitted separately.

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

Description of the changes:

To replace section 11.9 (Expenditure before need) with a new paragraph titled ‘Charges in relation to previous expenditure’. 11.9 (Expenditure before need) currently reads as follows:

‘Under the Electricity (Connection Charges) Regulations 2002, as amended, if we install assets in advance of any specified need by you but you derive benefit from these assets, then we reserve the right to charge a proportion of the cost incurred to you. For example, if we commit resources to the construction of system assets, then we will recover a proportion of this cost from any customer who would directly benefit from such modification or additions at a later date provided such date shall be no later than 5 years from the system asset completion date.’

The replacement paragraph (Charges in relation to previous expenditure) will read:

‘Under the Electricity (Connection Charges) Regulations 2002, as amended (“the Regulations”), if we install assets to provide a connection for which an initial contributor has made a payment to us but that payment has not covered our relevant expenses in full, we shall be entitled to recoup an appropriate proportion of those relevant expenses from any second or subsequent comer who requires a connection within five years of that initial connection and who connects to our distribution system using the assets that were provided for that initial connection and in respect of which we did not recover our relevant expenses in full. In any situation where the relevant expenses of an initial connection have been covered wholly or mainly by an initial contributor or initial contributors and a second or subsequent comer requires a connection within five years of that initial connection and

connects to our distribution system using the assets that were provided for that initial connection, we shall be obliged under the Regulations to exercise the entitlement referred to above by recouping an appropriate proportion of the initial relevant expenses from such second or subsequent comer(s) and to pass on the monies thus obtained (minus our reasonable expenses) to the initial contributor(s).'

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 statement clear in relation to costs that a connecting customer may face associated with previous expenditure.

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

Conclusions:

As this is merely a modification of our connections charging statement to add clarity in relation to charges for previously funded assets 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.