



MODIFICATION REPORT

SP DISTRIBUTION

**Amendment Proposal COM-08-002a
Reinforcement Apportionment Rules
Date of Issue: 10th September 2008**

For approval by the Authority

1. SCOPE

This report sets out the proposed modification to SP Distribution's Connection Charging Methodology, in respect of Reinforcement Apportionment Rules.

2. ISSUE RECORD

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Issue Date	Issue No	Author	Amendment Details
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3. ISSUE AUTHORITY

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5. PROPOSED MODIFICATION

5.1 Proposed Changes to the Connection Charging Methodology

5.1.1 Introduction

SP Distribution is obliged under Standard Condition 13 of our Distribution Licence to

- review the Connection Charging Methodology at least once in every year;
- make such modifications to the Connection Charging Methodology as may be necessary for the purpose of better achieving the relevant objectives.

SP Distribution has reviewed its Connection Charging Methodology. The review was undertaken by taking account of the objectives set out in Standard Condition 13 Paragraph 13.3. One of the outcomes of this review is to provide further clarification regarding charges relating to existing reinforcement assets.

5.1.2 Background

In order to reflect the recent determination RBA/TR/A/DET/90 further clarification is required in respect of charges for existing reinforcement assets as detailed in Section 2.3.3.

5.2 Justification for Proposed Modification

The proposed modification change will allow the methodology to better meet the relevant objectives as set out in Standard Condition 13 Paragraph 13.3(a), (b), (c) and (d), which are:

- 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.

The modification will better achieve these objectives in the following manner:

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.

5.3 Implementation Date

This modification is proposed for implementation on 9th October 2008.

5.4 Proposed Changes to the Connection Charging Methodology

Insert the following highlighted text in Section 2.3.3.

2.3.3. Contribution to Existing Reinforcement Assets

In cases where reinforcement assets have been installed to allow the connection of a party and due to the incremental plant sizes spare capacity has been created a 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 should be charged to the second comer within the prescribed period of 5 years. **For the avoidance of doubt, no contribution to reinforcement costs in respect of assets previously installed will be required where no contribution to those costs had been charged to a first comer.**

When SP Distribution adds transformer capacity to the network, then this is treated as connection asset unless any spare capacity is used to reinforce the existing network. In such cases the work is treated as reinforcement and the apportionment rules apply. If the assets are initially treated as connection and within 5 years another customer is connected to assets then the initial contributor is refunded based on the apportionment rules and the second comer pays in accordance with the apportionment rules.

5.5 Impact on Other Industry Documents

No amendment is proposed to Industry Documents as this modification represents a minor change, it is not anticipated that this will have any impact and require any changes to contract documents.

5.6 Consultations

This proposed modification is to clarify the provisions in SP Manweb's Connection Charging Methodology to ensure consistency with the Licence. This change merely clarifies current practice and does not necessitate an industry consultation as it satisfies Ofgem's determination in this regard.