

WESTERN POWER DISTRIBUTION (SOUTH WEST) PLC

WESTERN POWER DISTRIBUTION (SOUTH WALES) PLC

MODIFICATION PROPOSAL

Amendment Proposal: WPD/010

**Capacity management for Licensed Distribution Network
Operators**

Date of Issue: 20 January 2009

For Approval by the Gas and Electricity Markets Authority

This Modification Proposal sets out Western Power Distribution (South West) plc and Western Power Distribution (South Wales) plc (together "WPD") proposals to amend WPD's Use of System Charging Methodologies.

Issue Record

Issue Date	Issue No.	Author	Amendment Details
January 2009	001	Mike Smith	

1.0 Introduction

- 1.1 In accordance with Condition 13, paragraph 13.4(a) of WPD's Distribution Licence, we request a modification to our Use of System Charging Methodology.
- 1.2 This Modification Report sets out:
- 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 (if made) is to take effect.
- 1.3 The relevant objectives in Licence Condition 13, paragraph 3 state:
- (a) that compliance with the 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 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 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 The change proposed introduces an incremental approach to applying the overall maximum capacity requested by a licensed distribution network operator wishing to connect to WPD's distribution system, which can in turn have an effect on the level of DUoS charges applied throughout the construction period of the development.
- 1.5 This modification proposal removes a potentially significant barrier to competition and hence and its implementation would better meet objective 13.3(b) of Licence Condition 13 outlined above.

2.0 Proposals for Modification

- 2.1 WPD proposes to modify its Use of System Charging Methodology to allow a 'ramping' of the maximum capacity requested (known as the Required Capacity) by a licensed distribution network operator (LDNO) wishing to connect an embedded network within WPD's own distribution system.

- 2.2 The ramping effect will be allowed over a three year period from the date of energisation of the connection. WPD and the LDNO would mutually agree an 'interim' Required Capacity to be incremented upon each anniversary of energisation until the third anniversary.
- 2.3 As an example, the LDNO may require a capacity of 4MVA to accommodate the overall development but only require 1MVA at the time of initial energisation. An incremental Required Capacity may be agreed as shown below:

	Upon Energisation	1 st Anniversary	2 nd Anniversary	3 rd Anniversary
Required Capacity	1 MVA	2 MVA	3 MVA	4 MVA

- 2.4 The incremental arrangement will be captured within the Bilateral Connection Agreement held between WPD and the LDNO.
- 2.5 On the first and second anniversary of energisation of the connection the Required Capacity will increase automatically unless the LDNO, giving reasonable notice, requests a review of the capacity requirements. WPD and the LDNO will mutually agree a revised Required Capacity going forward.
- 2.6 On the third anniversary of energisation of the connection WPD and the LDNO will review the LDNO's capacity requirements. The LDNO may request;
- i) retention of the Required Capacity applied; or
 - ii) an increase to the Required Capacity; or
 - iii) a decrease to the Required Capacity.
- 2.7 If the LDNO wished to increase the Required Capacity above that stated at the third anniversary the LDNO must apply in accordance with the process set out under the connection charging methodology contained within the Statement.
- 2.8 Where a monthly Availability Charge is applicable (half-hourly settled sites) the chargeable supply capacity will be based upon the Required Capacity valid at the time, or the maximum recorded demand in the current month, whichever is the greater.

3.0 Justification for Modification

- 3.1 Where an LDNO wishes to connect an embedded network to WPD's distribution system it must state the Required Capacity to accommodate the overall development load. However, due to the construction programme and phased connection of multiple premises, the load realised by the development may ramp up over a period of time; possibly a number of years.

- 3.2 In some cases the Required Capacity applied to a development has a direct bearing on the 'Availability Charge' levied under the DUoS tariff structure. LDNO's have criticized this approach as it creates potential margin issues when the overall Required Capacity is applied from the date of energisation and throughout the growth phase of the development.
- 3.3 Applying a ramping effect to the Required Capacity over a number of years will reduce the potential for there to be a discrepancy between the Required Capacity and the embedded network load at any time during its development.
- 3.4 WPD considers three years to be a rational period of time to allow the completion of the majority of developments.
- 3.5 The Availability Charge is only applied where the load is predominantly non-domestic, therefore 'Ramping' the Required Capacity will have no discernable effect on embedded network connections made at HV or LV where the load is predominantly domestic. However, incremental capacities may still be agreed in these instances to promote consistency of approach and to encourage development of an economic and efficient distribution system.

4.0 Proposed Changes to the Use of System Charging Methodology

- 4.1 The proposed new paragraph will be inserted into the Use of System Charging Methodology under the heading "Setting Prices using the LRIC/DRM model" as shown below. The terminology used is consistent with that used throughout the Statement.

"When a licensed distribution network operator connects a network to WPD's System, capacity may be taken up over a period of time up to 3 years from the date of initial energisation. In these circumstances, the capacity used for DUoS charging purposes will also be allowed to rise over time in line with the specified incremental required capacity as agreed under the Bilateral Connection Agreement."

Arrangements for review of the Required Capacity are detailed in the Connection Charging Methodology."

- 4.2 In addition to the proposed change to the Use of System Charging Statement we also propose a linked modification to our Connection Charging Methodology Statement, details of which can be found in our Modification Proposal Document WPD/009.

5.0 Implementation Date

- 5.1 It is proposed to implement this modification on 1st March 2009 or, in any event, as soon as possible thereafter following a 'non-veto' decision by the Authority.