

<b>Modification of Condition 13 Connection Charging Methodology Statement for 2008/09</b>		<b>SHEPD/08/002b</b>
<b>Title: Proposed general revisions within the approved Statement of Charging Methodology for Connection to Scottish Hydro Electric Power Distribution plc's Distribution System: 2008-09</b>		
<b>Organisation Name:</b>		Scottish Hydro Electric Power Distribution plc
Details of Proposer:	Name:	Malcolm Burns, Regulation Manager
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<b>Description of Proposed Modifications:</b>		
<p>Following a review of the existing approved SHEPD Connection Methodology Statement, pursuant to Condition 13.2 of the Electricity Distribution Licence, the following modifications are proposed as detailed below.</p>		
<p>1. Glossary, item 2, replace the definition of the Act, i.e.</p> <p>“the Act”                      <i>The Electricity Act 1989 as amended by the Utilities Act 2000 and the Sustainability Energy Act 2003</i></p> <p>“the Act”                      <i>The Electricity Act 1989, as amended</i></p> <p>This modification is proposed to facilitate better achievement of Relevant Objective 13.3(d) by enabling the definition to include further amendment(s) to the Electricity Act, without necessarily requiring further methodology modification proposals. The modification would also remove a typographical error.</p>		
<p>2. Glossary, item 6, replace “Licence Condition 9” with “Licence Condition 21” in relation to the Distribution Code, i.e.</p> <p><i>“The Distribution Code of the Licensed Distribution Network Operators (DNOs) of Great Britain; produced in accordance with Condition 21 of the Licence and approved by the Authority to define the technical aspects and planning criteria of the working relationship between the DNO and all those connected to its distribution system.”</i></p> <p>This modification is proposed to facilitate better achievement of Relevant Objective 13.3(d) by reflecting changes made to the Electricity Distribution Licence standard conditions.</p>		
<p>3. Glossary, item 7 – replace the definition of the Master Registration Agreement, i.e.</p> <p>Replace:</p> <p>“MRA”                      <i>Master Registration Agreement – The MRA is the multi-party agreement that all Ofgem licensed Suppliers and Distribution Business enter into that governs the essential interactions between them.</i></p>		

with:

“MRA”

*Master Registration Agreement – the MRA is the multi-party agreement that provides a governance mechanism to manage the processes established between electricity suppliers and distribution companies to enable electricity suppliers to transfer customers.*

This modification is proposed to facilitate better achievement of Relevant Objective 13.3(d) by updating the MRA definition in line with the definition currently given on the Ofgem website, thereby better defining the MRA following the implementation of the DCUSA, in a manner consistent with other industry definitions.

4. Glossary, item 8 – replace the definition of the Balancing and Settlement Code, i.e.

“BSC”

Replace:

*Balancing and Settlements Code – wholesale electricity trading arrangements introduced in England and Wales in 2001 are designed to provide greater competition, while maintaining a secure and reliable system.*

with:

“BSC”

*Balancing and Settlement Code – contains the governance arrangements for electricity balancing and settlement in Great Britain. The energy balancing aspect allows parties to make submissions to NGET to either buy or sell electricity into/out of the market at close to real time in order to keep the system from moving too far out of phase. The settlement aspect relates to monitoring and metering the actual positions of generators and suppliers (and interconnectors) against their contracted positions and settling imbalances when actual delivery or offtake does not match contractual positions.*

This modification is proposed to facilitate better achievement of Relevant Objective 13.3(d) by updating the BSC definition in line with the definition currently given on the Ofgem website, thereby better defining the BSC, in a manner consistent with other industry definitions.

5. Glossary, item 9 – replace the definition of National Grid, i.e.

Replace:

“NGC”

*National Grid Company – own and operate the high-voltage electricity transmission network in England and Wales*

with:

“NGET”

*National Grid Electricity Transmission plc – the company which owns and maintains the electricity transmission system in England and Wales and operates the system across Great*

*Britain.*

This modification is proposed to facilitate better achievement of Relevant Objective 13.3(d) by updating the definition to reflect the current business identity and scope of activities, post-BETTA, of the GB System Operator.

6. Introduction, section 1.6, replace “paragraph 3 of standard condition 4B” with “Licence Condition 13.3” in relation to “relevant objectives” in the second sentence, i.e.

*“The methodology is to be reviewed, at least once a year, to ensure that it continues to meet the Relevant Objectives as depicted in Licence Condition 13.3 of the Distribution Licence”.*

This modification is proposed to facilitate better achievement of Relevant Objective 13.3(d) by reflecting changes made to the Electricity Distribution Licence standard conditions.

7. Section 1, item 1.1, last sentence - replace “*Our engineers*” with “*The Company*”, i.e.

*“The Company may thereafter contact the Applicant if further information is required to prepare an Offer.”*

This modification is proposed to facilitate better achievement of Relevant Objective 13.3(d), as the Licence holder’s current business structure and operations can result in contact with the Applicant being made through personnel who may or may not be classified as engineers.

8. Section 1, item 1.4, replace the section to clarify the response periods and to widen the scope of the item beyond “all connection works” Offers, i.e.

Replace:

*“The Company will respond as soon as practicable (normally within 28 days, but in any event within 3 months of a duly completed application, unless otherwise agreed) specifying the proposed point of Connection to the existing distribution system and offering terms for Connection (the “Offer for Connection”) and undertaking to provide all the Connection work”.*

with:

*“The Company will respond as soon as practicable following receipt of a duly completed application (within the periods listed in Table 1 below), specifying the proposed point of Connection to the existing distribution system and offering terms for Connection (the “Offer for Connection”) based upon the appropriate level of Connection work”.*

This modification is proposed to facilitate better achievement of Relevant Objective 13.3(d) by reflecting changes made to the Electricity Distribution Licence standard conditions.

9. Section 1, item 1.5 – delete this item entirely and re-number section items accordingly.

Deleted item text reads:

*“If the Company cannot conclude the Offer within the specified three-month period due to the scale of the project, the Authority may consent an Offer preparation period in excess of the three months set out in the Company’s licence. The Company if requested shall provide a guide price for the Connection prior to making the Offer.”*

This modification is proposed to facilitate better achievement of Relevant Objective 13.3(d) by reflecting changes made to the Electricity Distribution Licence standard conditions.

10. Section 1, item 1.5\*, second sentence – insert “*such*” and replace “*energywatch*” with “*the Energy Ombudsman*”, i.e.

*“If the Applicant and the Company fail to agree contractual terms within a reasonable time, or any variation of contractual terms proposed by the Company, either party may ultimately request settlement by the Gas and Electricity Markets Authority established under the Utilities Act 2000 (“the Authority”). However, in the first instance such disputes should be referred to the Energy Ombudsman. More information on resolution of disputes is available in Section 7 of this Statement.”*

This modification is proposed to facilitate better achievement of Relevant Objective 13.3(d) by reflecting the replacement of Energywatch by the Energy Ombudsman in relation to disputes.

\*Note: this item is identified as 1.5 following the deletion of the previous item 1.5 and the section re-numbering in 9 above – this was previously identified as item 1.6)

11. Section 1, item 3.1, second sentence – delete “*for the purposes of*” and replace with “*to enable*” and item 3.1, third sentence insert “*these*” i.e.

*“The Applicant shall provide all necessary information reasonably required by the Company to enable the Company to provide the service. Failure by the Applicant to provide such information shall render these standards of service invalid”*

This modification is proposed to make the item more clearly expressed to readers and hence facilitate better achievement of Relevant Objective 13.3(a).

12. Section 1, item 3.1, Table 1 heading – add “*and other services*” at the end of the heading, i.e.

*“Table 1: Timescales for Provision of the Company’s Offer for Connection and other services”*

This modification is proposed to facilitate better achievement of Relevant Objective 13.3(d) by reflecting the widened scope of the Levels of Service.

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13. Section 1, item 3.1, Table 1 – replace with the table attached to this document as Appendix 1.

This modification is proposed to facilitate better achievement of Relevant Objective 13.3(d) by reflecting changes made to the Electricity Distribution Licence standard conditions.

14. Section 2, item 2.1 – the words “*Schedules of Company Charges*” placed in parenthesis and moved to follow “*of this Statement*”, i.e.

*“Connection works such as diversions or replacement of embedded assets will be charged at the Company’s normal rates, of which indicative costs are indicated in Section 6 of this Statement (Schedules of Company Charges).”*

This modification is proposed to make the item more clearly expressed to readers and hence facilitate better achievement of Relevant Objective 13.3(a).

15. Section 3, item 1.1, fourth line – insert “*the*” between “*to*” and “*Engineering*” i.e.

*“Any person seeking Point of Connection information relating to the Company’s distribution system so that they may undertake the provision of Connection Works, in conjunction with the Company’s provision of any necessary Non-contestable Connection works, should apply in the first instance to the Engineering Telephone Bureau.”*

This modification is proposed to correct a typographical error and make the item more clearly expressed to readers and hence facilitate better achievement of Relevant Objective 13.3(a).

16. Section 4, item 1.3.2, fifth (final) bullet point – insert “*the*” between “*of*” and “*quote*” i.e.

*“The estimated time for the Company to carry out the Non-contestable Connection Works from unqualified acceptance of the Quote by the Customer.”*

This modification is proposed to correct a typographical error and make the item more clearly expressed to readers and hence facilitate better achievement of Relevant Objective 13.3(a).

17. Section 4, item 2.1, fourth sentence – delete website address “*URL:http://www.scottish-southern.co.uk/SSEInternet/index.aspx?id=652*”

and replace with

*“http://www.ssepd.co.uk”* i.e.

*“Relevant information is also specified in the Company’s Long Term Development Statement (Licence Condition 25) available at the Company’s website at: http://ssepd.co.uk .”*

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This modification is proposed to facilitate better achievement of Relevant Objective 13.3(d) by reflecting changes made by the Licence holder to the internet location of this document.

18. Section 4, item 2.1, first sentence of the second paragraph – replace sentence with:

*“Interested parties should follow the links to the Long Term Development Statements.”*

This modification is proposed to facilitate better achievement of Relevant Objective 13.3(d) by reflecting changes made by the Licence holder to the internet site layout in relation to this document.

19. Section 4, item 2.2, second sentence – delete *“normally no later than 90 days after the Application Date”* and replace with *“within the period specified in Table 1”* and delete *“except in cases where the Customer has agreed with the Company for a longer period and this has been ratified as required by the Authority”* i.e.

*“The Company will make an Offer within the period specified in Table 1.”*

This modification is proposed to facilitate better achievement of Relevant Objective 13.3(d) by reflecting changes made to the Electricity Distribution Licence standard conditions.

20. Section 4, item 4.4 – replace the reference to *“the Great Britain System Operator”* with *“NGET in their capacity as GB System Operator”* i.e.

*“Authorised electricity operators will be required, in addition, to enter into the GB Grid Code or any alternative Agreement or Code and any necessary supplemental agreement pursuant thereto, governing Connections to and use of Scottish Hydro Electric Transmission Limited’s (“SHETL”) transmission system as operated by NGET in their capacity as GB System Operator (“GBSO”), unless the Company is informed by the GBSO that this is not required in any particular case.”*

This modification is proposed to facilitate better achievement of Relevant Objective 13.3(d) by updating the definition to reflect the current business identity of the GB System Operator.

21. Section 4, item 4.5.2, second bullet point – delete *“or”* between *“agreement”* and *“as required”* and replace *“the GBSO”* with *“NGET in their capacity as GB System Operator”* i.e.

*“Any bilateral or other agreement as required by NGET in their capacity as GB System Operator.”*

This modification is proposed to make the item more clearly expressed to readers and hence facilitate better achievement of Relevant Objective 13.3(a).

22. Section 4, item 4.5 - delete third bullet point “A Generator Use of System or other agreement as required by the Company”. Re-number remaining bullet points accordingly.

This modification is proposed to facilitate better achievement of Relevant Objective 13.3(d) by reflecting changes made to the bi-lateral agreements required following implementation of the DCUSA.

23. Section 4, item 5.1, third line – insert “into” between “enter” and “an Adoption Agreement” i.e.

*“Where a Customer elects to either directly or indirectly undertake, through their accredited ICP, the Contestable Connection works it will be necessary for the Customer and if applicable their accredited ICP, to enter into an Adoption Agreement with the Company.”*

24. Section 4, item 6.1, second line – insert “authorised” before “electricity Supplier” and delete “who is registered with the Company as a Supplier within the Company’s Licensed Distribution Area” i.e.

*“The Customer shall be required to enter into, prior to energisation of their Connection, a Supply Agreement or Contract with an authorised electricity Supplier.”*

This modification is proposed to facilitate better achievement of Relevant Objective 13.3(d) by reflecting changes made to the industry arrangements following implementation of the DCUSA.

25. In Example 1: Small connection at low voltage, delete;

*“Using Table 8”*

This modification is proposed to correct an error, as Table 8 does not illustrate typical costs for a situation where the customer has excavated and prepared a cable trench. The proposal is therefore intended to make the item more accurately expressed to readers and hence facilitate better achievement of Relevant Objective 13.3(a).

26. In Example 5, Calculation B, replace:

*Existing network security capacity = 20,000kVA (2 no. 20MVA transformers)*  
*Requested capacity = 3,000kVA*  
*New network security capacity = 30,000kVA (2 no. replacement 30MVA transformers)*  
*Cost of transformer installation = £ 500,000*  
*Security CAF =  $\frac{\text{Required capacity} \times 100}{\text{New Network Capacity}}$  %, (maximum 100%)*

$$\text{Security CAF} = \frac{3,000 \times 100\%}{30,000} = 10\%$$

$$\text{Security reinforcement charge} = 10\% \text{ of } \pounds 500,000 = \pounds 50,000$$

This would be added to the cost of the dedicated assets to give a total connection charge of  $\pounds 50,000 + \pounds 86,500 = \pounds 136,500$ .

(No credit value will be given in respect of 2 no. recovered 20MVA transformers)

with:

$$\text{Existing network security capacity} = 20,000\text{kVA} \text{ (2 no. 20MVA transformers)}$$

$$\text{Requested capacity} = 3,000\text{kVA}$$

$$\text{New network security capacity} = 30,000\text{kVA} \text{ (2 no. replacement 30MVA transformers)}$$

$$\text{Cost of transformer installation} = \pounds 1,000,000$$

$$\text{Security CAF} = \frac{\text{Required capacity} \times 100\%}{\text{New Network Capacity}}, \quad (\text{maximum } 100\%)$$

$$\text{Security CAF} = \frac{3,000 \times 100\%}{30,000} = 10\%$$

$$\text{Security reinforcement charge} = 10\% \text{ of } \pounds 1,000,000 = \pounds 100,000$$

This would be added to the cost of the dedicated assets to give a total connection charge of  $\pounds 100,000 + \pounds 86,500 = \pounds 186,500$ .

(No credit value will be given in respect of 2 no. recovered 20MVA transformers)

This modification is proposed to facilitate better achievement of Relevant Objective 13.3(d) by updating the example to reflect current typical levels of plant and equipment costs involved in such works.

27. In Example 5, Calculation C, replace:

$$\text{Existing network fault level capacity} = 250,000 \text{ kVA (11 kV switchboard rated at 250 MVA)}$$

$$\text{Requested fault level capacity} = 24,000 \text{ kVA}$$

$$\text{New network security capacity} = 315,000 \text{ kVA (315 MVA rating of replacement 11kV switchboard)}$$

$$\text{Cost of new Switchboard} = \pounds 450,000$$

$$\text{Fault Level CAF} = \frac{3 \times \text{fault level contribution from Connection} \times 100\%}{\text{New Equipment fault Level Capacity}}, \quad (\text{max } 100\%)$$

$$\text{Fault Level CAF} = \frac{3 \times 24,000 \times 100\%}{315,000} = 22.9\%$$

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315,000

*Fault level reinforcement charge = 22.9% of £450,000 = £103,050*

*This would be added to the cost of the dedicated assets to give a total connection charge of £103,050 + £86,500 = **£189,550***

with:

*Existing network fault level capacity = 250,000 kVA (11 kV switchboard rated at 250 MVA)*

*Requested fault level capacity = 24,000 kVA*

*New network security capacity = 315,000 kVA (315 MVA rating of replacement 11kV switchboard)*

*Cost of new Switchboard = £750,000*

*Fault Level CAF =  $\frac{3 \times \text{fault level contribution from Connection} \times 100\%}{\text{New Equipment fault Level Capacity}}$ , (max 100%)*

*Fault Level CAF =  $\frac{3 \times 24,000 \times 100\%}{315,000} = 22.9\%$*

*Fault level reinforcement charge = 22.9% of £750,000 = £171,750*

*This would be added to the cost of the dedicated assets to give a total connection charge of £171,750 + £86,500 = **£258,250***

This modification is proposed to facilitate better achievement of Relevant Objective 13.3(d) by updating the example to reflect current typical levels of plant and equipment costs involved in such works.

28. Section 4, table 5 – delete contact details for enquiries relating to the Statement of Charging Methodology and replace with the details below:

<b><i>Enquiries relating to the Statement of Charging Methodology for Connection to the Scottish Hydro Electric Power Distribution plc Distribution System</i></b>	
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<i>Scottish Hydro Electric Power Distribution plc</i>	<i>A J Rae Commercial Policy Manager Scottish Hydro Electric Power Distribution plc Inveralmond House 200 Dunkeld Road Perth PH1 3AQ</i>
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*Tel: 01738 456308*

*Fax: 01738 455211*

*E-mail:*

*angus.rae@scottish-southern.co.uk*

This modification is proposed to facilitate better achievement of Relevant Objective 13.3(d) by reflecting current levels of plant and equipment costs faced by the Licensee.

29. Section 5, item 6.3 – delete the final sentence.

This modification is proposed to make the item more clearly expressed to readers by removal of a superfluous sentence and hence facilitate better achievement of Relevant Objective 13.3(a).

30. Section 6, item 1.2 – delete “April 2007” and replace with “January 2009” i.e.

*“The indicative costs shown in this schedule are current at January 2009, but are subject to change without notice.”*

This modification is proposed to facilitate better achievement of Relevant Objective 13.3(d) by advising the review date of the costs shown in the Table.

31. Section 6, item 4.2.3 – delete “based at 1<sup>st</sup> April 2006” and replace with “current at January 2009” i.e.

*“The above **illustrative** charges are current at January 2009, are for guidance only and will be subject to review from time to time.”*

This modification is proposed to facilitate better achievement of Relevant Objective 13.3(d) by advising the review date of the costs shown in the Table.

32. Section 7, item 1 – delete the existing dispute and determination procedure and replace with the procedure below:

*1. Dispute and determination procedure*

*1.1 Where the Customer is not satisfied with the terms Offered by the Company, the Customer should initially contact the Company to seek to resolve any disputed matters. The Company dispute handling procedure is detailed on the Company’s website at:*

<http://www.ssepd.co.uk>

*The procedure can be found under the “Customer Service” link.*

*1.2 If, after following the steps detailed in the Company’s dispute handling procedure, agreement cannot be reached within a reasonable time, the Customer may*

*approach the Energy Ombudsman. They are able to investigate and, in most instances, make decisions in relation to complaints and disputes.*

*1.3 The contact details for the Energy Ombudsman are:*

*Energy Ombudsman*

*PO Box 966*

*Warrington*

*WA4 9DF*

*Phone: 0845 055 0760 or 01925 530 563*

*Textphone: 18001 0845 0511 513 or 18001 01925 430 886*

*E-mail: [enquiries@energy-ombudsman.org.uk](mailto:enquiries@energy-ombudsman.org.uk)*

*Website: [www.energy-ombudsman.org.uk](http://www.energy-ombudsman.org.uk)*

*1.4 Should an unresolved dispute be passed to the Authority for a determination, the findings will be published on the Ofgem website at:*

*<http://www.ofgem.gov.uk>*

These modifications are proposed to facilitate better achievement of Relevant Objective 13.3(d) by reflecting changes made by the Licence holder to the internet location of the procedure referred to and also the replacement of Energywatch by the Energy Ombudsman in relation to disputes Licence holder to the internet location of this document.

33. Section 8, item 2.2 - replace the existing clause to amend the website address and associated text, i.e.

Replace:

2.2 *The web site URL address is:*

*<http://www.scottish-southern.co.uk/SSEInternet>*

*This will launch a webpage from which select the “Site Map” and then “Energy Systems” links.*

*The Annual Charging Statements and other associated information, including connection specifications, can then be found under the appropriate “Related Links” prompt which if selected will launch a “pop-up” page*

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*containing the relevant company information.*

with:

2.2 *The web site URL address is:*

<http://www.ssepd.co.uk>

*The Annual charging Statements and other associated information can be found under the appropriate “Technical Info” link.*

These modifications are proposed to facilitate better achievement of Relevant Objective 13.3(d) by reflecting changes made by the Licence holder to the internet location of the documents referred to.

34. Section 8, item 2.3 – delete entire clause.

This modification is proposed to make the item more clearly expressed to readers by removal of a superfluous term (the software referred to is now in general use) and hence facilitate better achievement of Relevant Objective 13.3(a).

**Proposed wording for the statement:**

All the above changes are shown in revision-marking in the accompanying marked-up copy of SHEPD’s Connection Charging Methodology Statement for 2008/ 09.

**Proposed timetable for implementation of the modification changes:**

If the Authority indicates non-veto of these proposals by 6<sup>th</sup> March 2009, it is proposed that the modified version of the connection methodology statement will apply from 16<sup>th</sup> March 2009. If the Authority indicates non-veto of these proposals after 6<sup>th</sup> March 2009, it is proposed that the modified version of the connection methodology statement will apply from a date one week from the date of such non-veto.

**Consultations**

The proposed modifications are of a general update and correction nature and as such no industry consultation is understood to be necessary.