

LCN Fund Full Submission

Supplementary Answer Form

Tick if this answer is Confidential: ☐

Tick if this answer has been provided verbally: ☐

Project code:	ENWLT2003	Question Number	34
Question date	13 October 2011	Answer date	26 October 2011
Submission section question relates to	Full Submission Workbook – Appendix 4		
Topic	Direct Benefits		
Question	Please provide further details on the reinforcement costs which you are claiming as Direct Benefits. Specifically, can you break down the Direct Benefits into the asset categories set out in the worksheet in the Shared Folder, using the definitions contained in the RIGs v2 guidance documents? This worksheet is based on the asset replacement tab (CV3) of the regulatory instructions and guidance.		
Notes on question	n/a		
Answer	<p>In response to question 32 we outlined the methodology applied to estimate the value of direct benefits for the Capacity to Customers project. The answer explained that we had derived the direct benefits from the estimated load-related capital expenditure saved by reinforcing the distribution network to connect new customers. To estimate the value saved we analysed the actual connections-driven reinforcement activity over the last three years. The analysis gave the most accurate possible estimate of the short term expected impact on load-related capital expenditure and allowed a value of the average costs of a connections project with associated reinforcement to be estimated.</p> <p>The shortcoming of this approach is that the direct benefits value is based on a detailed financial analysis of the projects not on a detailed knowledge of the range of assets used in reinforcement. Even reviewing the reinforcement assets for each of the three hundred projects we would not be able to accurately estimate the reinforcement assets not</p>		

	<p>required for future projects, as reinforcement is location specific and we know any forecast would be inaccurate.</p> <p>The connections offer process in the C₂C Project will deliver each customer with a standard connection offer and a C₂C connection offer. This allows the customer to make the decision whether a C₂C connection offer is beneficial for them. But it also allows the C₂C Project team to record and report the reinforcement assets not required following a customer signing a managed contract.</p> <p>We propose to include in the six monthly Ofgem report the extent of the reinforcement assets not required for each connections project, in the format of the asset replacement table in the RIGs.</p>
Attachments	None.
Verbal Clarifications (Consultants)	Telephone with M Askew on Friday 14 October 2011 to discuss proposed outline of answer.