

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	32
Question date	13 September 2011	Answer date	21 September 2011
Submission section question relates to	3		
Topic	Direct Benefits		
Question	Can you please expand on the assumptions underlying your Direct Benefit calculations detailed in Section 3 and outline how this calculation is linked to the forecast expenditure included in your DPCR5 FBPO?		
Notes on question	n/a		
Answer	<p>There is no explicit link to the level of forecast expenditure included in the DPCR5 FBPO, but it is anticipated that the C₂C Project will reduce load-related expenditure requirements relative to the DPCR5 FBPO. The direct benefits calculation for the load-related capital expenditure saving has been derived from analysis of actual connections-driven reinforcement activity over the last three years. We believe that using historic data gives the most accurate possible estimate of the short term expected impact on load-related capital expenditure.</p> <p>The steps we took to calculate the direct benefits are outlined below:</p> <ol style="list-style-type: none"> 1) Calculate the average total direct reinforcement costs per project: <ol style="list-style-type: none"> i) Identify those connections-driven reinforcement projects undertaken within the last three years, which connected at least 100kW of demand (either load or generation); ii) Remove the connections overhead of 62% (the overhead allocated to project costs for the provision of the connections service), as the total overhead must be recovered from all connections customers and will not be reduced by the C₂C Method. iii) Apply a 60/40 percentage split to identify the average cost of a project funded by ENWL and the customer respectively. It is the saving in the ENWL funded cost that delivers the direct 		

	<p>benefit for a project.</p> <p>2) Calculate the expected number of connection projects, with reinforcement and of 100kW and above, in the time period of the C₂C Project:</p> <ul style="list-style-type: none"> i) Count the yearly amount of previous connections driven reinforcement projects, of 100kW and above, across the whole ENWL network, undertaken within the last three years, split by load and generation; ii) Develop a time series estimate over the life of the C₂C Project for the number of load and generation projects; <p>3) Estimate the number of projects likely to appear within the Trial area of the C₂C Project and the likely number of such projects which would accept the C₂C connection offer during the life of the C₂C Project.</p> <ul style="list-style-type: none"> i) The HV Circuit Selection Methodology has been devised to increase the probability of connections activity being captured within the Trial area. It is estimated that 40% of the total number of connections-driven reinforcement projects will take place within the Trial area; and ii) One in four of the C₂C Connection Offers provided under the Trial will be accepted. <p>4) Multiply the average direct benefits per project by the number of projects expected to accept a C₂C connection offer to give the total direct benefits figure identified in the Full Submission.</p>
Attachments	None.
Verbal Clarifications (Consultants)	None.