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Our ref

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Date

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14 May 2015

Dear Olivia

Open Letter - Quicker and more efficient distribution connections

Further to the Open Letter dated 19 February 2015 concerning quicker and more efficient distribution connections please find our comments set out below.

We welcome the opportunity to consider how the current arrangements for getting connected to the electricity distribution system may be improved upon, specifically with regard to the four scenarios set out under your letter.

It has become apparent that the requirement to reinforce the distribution system (and the associated costs) is one of the biggest factors in influencing the timescale for connection and it is evident that connections that do not require reinforcement work are generally not subject to undue delay.

Reinforcement is required for both demand and distributed generation (DG) type connections but the extremely high volumes of DG applications made due in part to the various Government incentives have put a tremendous strain on the distribution system to the extent now that, due to connected and committed capacity, much of WPD's network is operating at its limits and no further generation can be accommodated without significant network reinforcement.

Innovative solutions have gone some way to mitigate the need to reinforce but we are now in a position where many schemes are in abeyance whilst either extensive reinforcement is undertaken or because the costs are prohibitive to the viability of the scheme. The introduction of CfD's may also have a bearing on the timescales for connection as developers are unwilling to pay for reinforcement until they secure a contract and cannot apply without planning consent.

Investment in the distribution system ahead of need may have helped in some cases although there are risks involved not least because of the relatively low levels of conversion from accepted offers to actual connections. In this respect we agree that we need to protect the interests of all consumers and so it is all about getting the balance right between ensuring the distribution system has capacity to accommodate new connections whilst keeping costs down for DUoS customers.

Scenario 1 – DNO funds (via DUoS) cost of anticipatory reinforcement

We refer to the ENA response to this consultation. It is understood that this option is effectively the current arrangements. We agree with the ENA conclusion that only where there is a very clear case, is this scenario likely to lead to a strategic approach to investment.

Scenario 2 – DNO funds (via DUoS) cost of anticipatory reinforcement when initial connection takes place

The same principles apply to this scenario as to scenario 1 as the DNO must still have confidence that subsequent connectees will materialise and repay the investment under the 'second-comer' rule. It does appear however that the level of risk is mitigated under this approach although the legislation may need amending to fully incorporate this methodology.

UKPN's strategic infrastructure development approach appears to have its merits but consideration should be given to the overall assessment process undertaken by both the DNO and Ofgem to see if it could be refined or simplified, particularly for smaller or less complex schemes.

Further discussion is required concerning the perceived benefits of the addition of a 'premium' that is added to the 'second-comers' charge and thought should be given to the proposal to allow an adjustment within the existing price control period (or at the beginning of the next) for any expenditure that cannot be recovered.

Any proposal would need to ensure that a framework was in place that did not disadvantage independent connection providers in the pursuit of competitive connections.

Scenario 3 – connection customer funds cost of anticipatory reinforcement when initial connection takes place

We recognise that this scenario may best be utilised where a large discrete commercial development area is identified and major reinforcement such as the installation of a primary substation is required. It is debateable whether this type of scheme is suited to DG connections where development is more indiscriminate although a consortium may be incentivised to consider 'hub' type arrangements.

This developer's incentive to invest may be reduced if the new network assets provided are subsequently utilised by the DNO (through its statutory obligations) to provide connections to a different type of scheme to that originally considered by the contributor.

The provision of a premium added to the charge for subsequent connectees is possibly contentious although may be justified through the risk taken by the development company.

Scenario 4 – Other ways of making it easier to connect

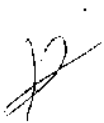
DNO's should continue to investigate innovative methods of providing alternative connections that maximise the use of capacity and mitigate the requirement to reinforce the distribution system.

DNO's should also endeavour to take a more proactive role in managing committed capacity that is tied up through the high level of accepted connection offers. The enforcement of prescribed milestones within the connection offer (for example, obtaining planning consent) will help to release capacity held by schemes giving no indication of progression.

With regard to DG connections, the £200/kW rule or High Cost Cap can present its own disincentives for potential connectees to progress schemes due to the high connection charge and little or no opportunity to recover costs. Further investigation should be undertaken to identify a means of allowing DNO's to recover costs from second comers who utilise those reinforcement assets paid for by the initial contributor.

If you require any further assistance or would like to discuss this consultation response further, please contact Nigel Turvey, Design & Development Manager (nturvey@westernpower.co.uk) on 0117 9332435.

Yours sincerely



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Regulatory & Government Affairs Manager