

Proposed variation:	Amendment to Scottish and Southern Energy Power Distribution's (SSEPD's)¹ Connection Charging Methodology and Statement for updates for Competition in Connections Code of Practice; full implementation of DCUSA Change Proposal 190; and to correct previous errors and omissions		
Decision:	The Authority's ² decision is that this modification ³ is not vetoed ⁴		
Target audience:	Distribution Network Operators (DNOs), Independent Distribution Network Operators (IDNOs), Independent Connection Providers (ICPs) and other interested parties		
Date of publication:	29 October 2015	Implementation date:	30 October 2015

Background

In accordance with standard licence condition (SLC) 13 of the Electricity Distribution Licence (the Licence'), Distribution Network Operators (DNOs) are required to have in force at all times a Connection Charging Methodology ('the methodology') which has been approved by us.

Since 1 October 2010 the DNOs' methodologies have contained a section common to all DNOs (the Common Connection Charging Methodology or CCCM) and a section specific to each DNO (Company Specific Connection Charging Methodology). These form sections 5 and 6 of each DNO's methodology. Each DNO must review their methodology at least once a year and make any modifications necessary for the purpose of better achieving the relevant objectives.

Amendments to the methodology are required to reflect changes in the arrangements for new connections. Amendments to the CCCM⁵ are made through DCUSA change processes and DNOs are expected to update their methodologies in line with approved DCUSA Change Proposals (DCPs).

DCP190⁶ was approved by us on 24 March 2015 and implemented from 1 April 2015. This amendment (to section 5.33 of the CCCM) allows customers to receive a credit where there is a net value in the equipment recovered from the disconnection of a temporary connection. It also permits each DNO to specify a de minimis value for this credit in their Company Specific Connection Charging Methodology. This is to ensure that credits are not provided in those circumstances where it would be uneconomical to do so, for example where administrative costs are higher than the amount refunded to the customer.

The Competition in Connections Code of Practice⁷ ('CiCCoP') comes into effect on 30 October 2015. This requires amendments to a DNO's methodology to indicate that 'point of connection determination' and 'design approval' may be carried out by an ICP as described in the CiCCoP.

¹ SSEPD holds two distribution licenses – Southern Electric Power Distribution plc ("SEPD") and Scottish Hydro Electric Power Distribution plc ("SHEPD")

Eastern Power Networks PLC; London Power Networks PLC and South Eastern Power Networks PLC.

² References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

³ 'Change' and 'modification' are used interchangeably in this document.

⁴ This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

⁵ Schedule 22 of the DCUSA

⁶ <https://www.ofgem.gov.uk/publications-and-updates/distribution-connection-and-use-system-agreement-dcusa-dcp190-and-dcp190a-credit-equipment-recovery-associated-temporary-connections>

⁷ <https://www.ofgem.gov.uk/publications-and-updates/our-decision-approve-revised-competition-connections-code-practice>

Scottish and Southern Energy Power Distribution's (SSEPD's) modification proposal

On 23 September 2015 SSEPD submitted a proposal for changes to its methodology in accordance with SLC 13.4. We noted certain errors in the submission and a revised modification proposal was submitted to us on 08 October 2015. The proposal is to:

- add a new paragraph setting out the de minimis level with respect to credit for equipment recovered following the disconnection of a temporary connection;
- update the methodology to reflect changes brought about by the CiCCoP;
- amend paragraphs 2.5 and table 3.9 (from three months to 65 working days) to reflect the most current version of SLC 12;
- amend paragraph 4.2 to change quotation validity period from 30 days to 90 days in line with customer requests; and
- implement various amendments⁸ to the CCCM to bring it into line with the currently approved version of Schedule 22 of the DCUSA. These amendments include:
 - Paragraph 5.11 amended to include the approved DCP166 text, clarifying circumstances under which connection costs must be paid in full by the customer, due to security, load characteristics, number of phases or the voltage requirements of the customer.
 - Paragraph 5.24 amended to include the approved DCP162 text, relating to the definition of the 'New Network Capacity' which is used in the Reinforcement Cost Apportionment Factor calculation.
 - Paragraph 5.30 reinstated to correct erroneous deletion.
 - Paragraphs 5.30A and 5.30B amended to include the approved DCP205 text, clarifying circumstances under which SSEPD will fully fund reinforcement in relation to connection of customer equipment which meets particular specification criteria.
 - Paragraph 5.33 amended to include the approved DP190 text, relating to circumstances under which a credit may be paid where equipment recovered from a temporary connection can be reused by SSEPD.
 - Paragraph 5.50 amended to include the approved DCP200 text, relating to arrangements for Contestable Work associated with unmetered connections.
 - Additional minor grammatical amendments.

SSEPD considers that the changes better achieve the following Relevant Objectives⁹:

- Relevant Objective 13.3 (a) - as the amendments for SLC 12 ensure that the methodology reflects its current obligations and practices; and the amendments to reflect DCP190 enable consistency amongst DNOs in the provision of credit for the recovery of equipment associated with a temporary connection;

⁸ These amendments have been published on SSEPD's website under version 10a and are detailed in the version control table.

⁹ Relevant Objectives in relation to the Charging Methodology are set out in SLC13.3:

(a) – that compliance with the methodology facilitates the discharge by the licensee of the obligations imposed on it under the Act and by its Distribution Licence

(b) – that compliance with the methodology facilitates competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity

(c) – that compliance with the 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

(d) – that, so far as is consistent with sub-paragraphs (a), (b) and (c) the methodology, as far as is reasonably practicable, properly take account of developments in the licensee's Distribution Business

(e) – that compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators

- Relevant Objective 13.3 (b) - as compliance with the CiCCoP acts to facilitate increased levels of competitive connections activity;
- Relevant Objective 13.3 (c) - as the amendments to reflect DCP190 result in credits received by customers for equipment recovery associated with temporary connections more accurately reflecting the costs incurred by the DNO
- Relevant Objective 13.3 (d) - as it reflects developments in its businesses regarding the inspection and monitoring regimes following adoption of the CiCCoP, and also reflects a development in its business policy to improve customer service by providing more time for customers to consider connection offers and secure other requirements such as finance and planning consents.

Reasons for our decision

We have decided **not to veto**¹⁰ SSEPD's proposed modifications to the Statement of Methodology and Charges for Connection for each of its licenced distribution networks (SEPD and SHEPD). In coming to this decision, we have considered the proposed modifications against the relevant objectives and our principles objectives and wider duties.¹¹

We have made this decision on the basis that SSEPD's proposals better achieve Relevant Objectives 13.3 (a); (b); (c) and (d). The reasons for this decision are set out below. We also consider that the various amendments made to the SHEPD and SEPD methodologies, to more accurately reflect previously approved changes to the CCCM, will facilitate compliance with the DNO's obligations under SLC 13.

Relevant Objective 13.3 (a) – that compliance with the methodology facilitates the discharge by the licensee of the obligations imposed on it under the Act and by its Distribution Licence

We consider that SSEPD's proposed amendments to the methodology better reflect its current licence obligations under SLC 12.

Relevant Objective 13.3 (b) – that compliance with the methodology facilitates competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity

On 16 July 2015 we published our decision to approve the CiCCoP. We stated that we expect DNOs to be able to comply with the new licence condition from the date of its implementation, and that DNOs should take actions to ensure compliance with processes outlined in the CiCCoP.

We consider that the changes to its methodology proposed by SSEPD constitute such actions, and that these changes will better facilitate competition by addressing potential barriers to competition.

Relevant Objective 13.3 (c) – that compliance with the 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

We consider that the change proposed by SSEPD (to introduce paragraph 6.34 setting out this de minimis value) is consistent with the arrangements introduced through

¹⁰ Our decision not to veto this modification proposal does not in any way constitute any form of approval, guidance or comfort in respect of the DNO's compliance with competition law

¹¹ The Authority's statutory duties are detailed mainly in the Electricity Act 1989 (as amended) as well as arising from European Union legislation.

DCP190. It provides clarity on what SSEPD consider is the reasonable cost of determining whether the equipment used for a temporary connection can be reused, calculating any refund and processing any credit.

We note the misspelling of "de minimis" in the proposed text (noted in our decision on DCP190) and expect this error to be corrected before publication.

Relevant Objective 13.3 (d) – that, so far as is consistent with sub-paragraphs (a), (b) and (c) the methodology, as far as is reasonably practicable, properly take account of developments in the licensee's Distribution Business

We consider that the changes to its methodology proposed by SSEPD reflect developments in its business policy to improve customer service by providing more time for customers to consider connection offers.

Timetable for implementation

SSEPD intends to implement the proposed changes contained in this modification proposal by 30 October 2015.

If you have any questions relating to the issues discussed in this letter please contact Lesley Ferrando on 0207 901 1808 or Lesley.Ferrando@ofgem.gov.uk.



James Veaney
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Smarter Grids and Governance Distribution

Signed on behalf of the Authority and authorised for that purpose