

Proposed variation:	Amendment to UK Power Networks¹ Connection Charging Methodology and Statement – Updates for Competition in Connections Code of Practice; and full implementation of DCUSA Change Proposal 190		
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.

The Competition in Connections Code of Practice⁵ ('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.

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.

UK Power Network's (UKPN's) modification proposal

On 28 September 2015 UKPN submitted a proposal for changes to its Company Specific methodology in accordance with SLC 13.4. The proposal is to

¹ UK Power Networks holds three distribution licenses – 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 <https://www.ofgem.gov.uk/publications-and-updates/our-decision-approve-revised-competition-connections-code-practice>

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>

- update its methodology to reflect changes brought about by the CiCCoP; and
- add a new paragraph setting out the de minimis level with respect to credit for equipment recovered following the disconnection of a temporary connection.

UPKN considers that the changes better achieve Relevant Objective⁷ 13.3(b) as it acts to facilitate increased levels of competitive connections activity; and Relevant Objective 13.3(c) as it results in credits received by customers for equipment recovery associated with temporary connections which more accurately reflect the costs incurred by the DNO.

Reasons for our decision

We have decided **not to veto**⁸ UKPN's proposed modifications to the Statement of Methodology and Charges for Connection for each of its licenced distribution networks. In coming to this decision, we have considered the proposed modifications against the relevant objectives and our principle objectives and wider duties.⁹

We have made this decision on the basis that UPKN's proposals better achieve Relevant Objectives 13.3 (b) and (c). The reasons for this decision are set out below.

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 UKPN 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 UKPN (to introduce paragraph 6.31 setting out this de minimis value) is consistent with the arrangements introduced through DCP190. It provides clarity on what UKPN consider is the reasonable cost of determining whether the equipment used for a temporary connection can be reused, calculating any refund due and processing any credit payment.

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.

⁷ Relevant Objectives in relation to the Charging Methodology are set out in SLC13.3 and in the section on 'reasons for our decision'

⁸ Our decision not to veto this modification proposal does not in any way constitute any form of approval, guidance of comfort in respect of the DNO's compliance with competition law

⁹ The Authority's statutory duties are detailed mainly in the Electricity Act 1989 (as amended) as well as arising from European Union legislation.

Timetable for implementation

UKPN 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.



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Smarter Grids and Governance Distribution

Signed on behalf of the Authority and authorised for that purpose