

Proposed variation:	<b>Amendment to Western Power Distribution's<sup>1</sup> Connection Charging Methodology and Statement – Updates for Competition in Connections Code of Practice</b>		
Decision:	The Authority's <sup>2</sup> decision is that this modification <sup>3</sup> is not vetoed <sup>4</sup>		
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:	1 November 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 Practice<sup>5</sup> ('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.

## Western Power Distribution's (WPD's) modification proposal

On 14 October 2015 WPD submitted a proposal for changes to section 6 of the methodology (for each of its four licenced DNOs) in accordance with SLC 13.4. The proposal is to amend paragraphs 6.6, 6.7 and the table at 6.17 to reflect changes brought about by the CiCCoP. Section 4.0 of the CiCCoP sets out the circumstances upon which an ICP may determine the point of connection to the host DNO's existing distribution system and carry out their own design approval. While WPD still deem these activities as non-contestable the proposed changes note that these activities may be undertaken by the ICP under the criteria set out in the CiCCoP.

WPD considers that the changes better achieve Relevant Objective<sup>6</sup> 13.3(b) as it acts to facilitate increased levels of competitive connections activity.

<sup>1</sup> Western Power Distribution holds four distribution licenses – Western Power Distribution (South Wales) PLC; Western Power Distribution (South West) PLC; Western Power Distribution (East Midlands) PLC; Western Power Distribution (West Midlands) PLC.

<sup>2</sup> 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.

<sup>3</sup> 'Change' and 'modification' are used interchangeably in this document.

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

<sup>5</sup> <https://www.ofgem.gov.uk/publications-and-updates/our-decision-approve-revised-competition-connections-code-practice>

<sup>6</sup> Relevant Objectives in relation to the Charging Methodology are set out in SLC13.3:

## Reasons for our decision

We have decided **not to veto**<sup>7</sup> WPD'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.<sup>8</sup>

We have made this decision on the basis that WPD's proposals better achieve Relevant Objective 13.3 (b). 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 WPD constitute such actions, and that these changes will better facilitate competition by addressing potential barriers to competition.

## Timetable for implementation

WPD intends to implement the proposed changes contained in this modification proposal by 1 November 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](mailto:Lesley.Ferrando@ofgem.gov.uk).



**James Veaney**  
**Head of Distribution Policy**  
**Smarter Grids and Governance Distribution**

Signed on behalf of the Authority and authorised for that purpose

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(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

<sup>7</sup> 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

<sup>8</sup> The Authority's statutory duties are detailed mainly in the Electricity Act 1989 (as amended) as well as arising from European Union legislation.