

To licenced distribution networks,  
generators, parties to DCUSA,  
suppliers, customers and their  
representatives, and other  
interested parties

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Dear stakeholder

## **Consultation on GTC's Statement of Methodology and Charges for Connection to the Electricity Distribution System**

GTC has submitted a Statement of Methodology and Charges for Connection<sup>1</sup> ('the Statement') in accordance with Standard Licence Condition ('SLC') 13 of the Electricity Distribution Licence ('the Licence'). As GTC is the first Independent Distribution Network Operator ('IDNO') to submit such a statement, we have decided to consult with stakeholders on the potential implications of the Statement on the existing arrangements and whether the proposed Statement meets the relevant objectives as required by SLC 13. This consultation will help to inform our approval of the Statement and will set clearer direction for other IDNOs on the statements that they are required to submit.

### **Background**

In accordance with SLC 13 of the Licence, all licensed distributors are required to have in force at all times a Connection Charging Methodology<sup>2</sup> ('methodology' or 'CCM') which has been approved by us. Each IDNO must review their methodology at least once a year and make any modifications necessary for the purpose of better achieving the Relevant Objectives as listed in SLC 13<sup>3</sup>:

- 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 this licence;
- 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
- 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
- 13.3 (d) - that, so far as is consistent with 13.3 (a), (b), and (c), the methodology, as far as is reasonably practicable, properly takes account of developments in the licensee's Distribution Business

<sup>1</sup> <https://www.gtc-uk.co.uk/docs/default-source/regulation---ipnl---connection-charging-statement/statement-of-methodology-and-charges-for-electricity-connections.pdf>

<sup>2</sup> <https://www.dcusa.co.uk/DCUSA%20Document%20Public%20Version/Schedule%2022%20v8.4.pdf>

<sup>3</sup> See Standard conditions of the Electricity Distribution Licence (p.63, 64):  
<https://epr.ofgem.gov.uk/Content/Documents/Electricity%20Distribution%20Consolidated%20Standard%20Licence%20Conditions%20-%20Current%20Version.pdf>

- 13.3 (e) - 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.

### GTC's proposed methodology

The Distribution Connection and Use of System Agreement (DCUSA) contains the Common Connection Charging Methodology ('CCCM'). The CCCM applies to Distribution Network Operators (DNOs) but not IDNOs. It sets out a common approach to connections charging that achieves the Relevant Objectives. Although we expect CCCM to be largely applicable to IDNOs as well, we acknowledge that certain parts of CCCM might not align or be of relevance to an IDNO's operating model.

GTC's methodology draws from the DCUSA CCCM. As part of their submission, GTC have described the areas in which their methodology differs from CCCM. We outline those differences in Table 1. Additionally, GTC include in their website an accompanying document which explains the rationale behind the difference between GTC's CCM and the CCCM.<sup>4</sup>

**Table 1: GTC CCM and CCCM comparison**

Paragraph - GTC Methodology	Paragraph - CCCM	Paragraph reference - GTC Methodology
4.10 New Roads and Street Works Act (NRSWA) noticing	1.7	Includes reference to costs associated with NRSWA. <i>Noticing</i> costs are not explicitly outlined in the CCCM.
4.10 Overhead lines	1.7	Removed references to costs associated with surveys for overhead lines.
4.19 Reinforcement of other networks	Added to "costs to be paid in full by you" section	Makes specific reference to costs for reinforcement charged to the IDNO by other LDNOs for reinforcement of their network. These costs are treated as a pass through.
4.20 Reinforcement of the Transmission System	1.43	Costs for reinforcement of the Transmission System are included in a separate, headed section of the CCCM. This paragraph is incorporated into the "Costs to be paid in full by you" section.
4.39 Recovered Equipment and Deferral of Asset Replacement	1.33	Included a specific de minimis level of £100.
4.45 Speculative Developments	1.39	With regard to what is considered as speculative developments, <b>added</b> the following: <ul style="list-style-type: none"> <li>• the capacity requested caters for future, currently unplanned, expansion rather than the immediate requests of (an) end user(s);</li> </ul>

<sup>4</sup> <https://www.gtc-uk.co.uk/docs/default-source/regulation---ipnl---connection-charging-statement/proposal-to-implement-our-connection-charging-methodology-statement.pdf>

Paragraph - GTC Methodology	Paragraph - CCCM	Paragraph reference - GTC Methodology
		<p><b>Omitted</b> the following:</p> <ul style="list-style-type: none"> <li>the capacity requested caters for future expansion rather than the immediate requirements of (an) end user(s)</li> <li>the development is phased over a period of time and the timing of the phases is unclear.</li> </ul>
4.62-4.63 Land Rights	1.45-1.46	<p>Addition to the CCCM wording:</p> <ul style="list-style-type: none"> <li><i>"We require the transfer of the freehold or alternatively the grant of long leasehold of any substation site which forms part of the Contestable or Non-Contestable Works.</i></li> <li><i>We require the grant of a permanent easement (deed of grant) for any Electric Line cable that forms part of the Contestable or Non-Contestable Works which does not fall within land adopted highway."</i></li> </ul>
4.58 Competition in Connection Charges	1.60	Does not require competition in Connection (CIC) charges: <i>"Should you choose to have any Contestable Work undertaken by an ICP, we will <u>not</u> levy Competition in Connection Charges associated with design approval, inspection and adoption of the Contestable works."</i>
Adoption Payments (omitted)	1.59	Removed the paragraph relating to adoption payments, originally in CCCM: <i>"Where we adopt assets installed by an ICP we will not make any adoption payment in respect of those assets"</i>
4.15 + 4.48 Capitalised Operation and Maintenance Charges	N/A	Added specific percentage (24%) for capitalisation costs of future operation and maintenance. GTC's justification: <i>"Given that we operate across all Distribution Services Areas, we have calculated a figure that is the midpoint of the figures used by DNOs and have applied this to our methodology"</i>
4.49 Projects	N/A	Included an additional paragraph: <i>"Where we have reason to believe that an application for connection forms part of a larger project then we will use the aggregate capacity of the projects to determine the appropriate Connection Charge."</i>
4.54 – 4.58 Reservation of Import Capacity (additional paragraphs)	N/A	<p>Included additional bullet points:</p> <ul style="list-style-type: none"> <li><i>"On occasion, applicants will wish to reserve Import Capacity on the Distribution System ahead of their planned usage, once we have constructed the infrastructure for their development.</i></li> <li><i>Where the works we carry out for the applicant do not deliver the connection(s) and/or where the applicant is not intending to be the first user of connection(s) provided as part of the works, then constructed capacity may be secured through reservation. When an applicant wishes to do so and upon their request, a form of construction agreement including terms for reservation of Import Capacity shall be offered.</i></li> <li><i>You may be required to pay a reservation charge commensurate with the Import Capacity you wish to reserve. The reservation charge will be payable in advance of the period to which it pertains. Failure</i></li> </ul>

Paragraph - GTC Methodology	Paragraph - CCCM	Paragraph reference - GTC Methodology
		<p><i>on the part of the applicant to pay the reservation charge will release the Company from an obligation to reserve the Import Capacity and it may be allocated to other parties.</i></p> <ul style="list-style-type: none"> <li><i>Reservation charges will reflect the value of the asset capacity reserved. In most circumstances this will be represented by a proportion of the availability charge, HV or LV as appropriate. Where the reservation takes place at EHV, or there are special circumstances, then project specific charges will be developed.</i></li> <li><i>We do not offer applicants the right to reserve Import Capacity where an applicant's requirements relate to specific end connections from our network for which a Connection Agreement can be entered into. In these circumstances, applicants may secure capacity by entering into a Connection Agreement and paying ongoing Use of System charges commensurate with the requested capacity for which we have undertaken works."</i></li> </ul>
4.69 Charges for Assessment and Design	N/A	<p>Included an additional paragraph:  <i>"Where permitted under relevant legislation, charges for Assessment and Design may be applied. This may be by way of a standard charge based on the type, voltage and maximum required capacity of the connection, as indicated in section 6C of this document. Where the applicant changes its requirements or requests multiple quotes in respect of the same or a similar connection to the premises, additional Assessment and Design work, not covered in the standard charge, may be required to update the original design. Where this is the case, the customer's charge in respect of Assessment and Design will be equal to the standard charge associated with the original Assessment and Design work, plus a charge in respect of the additional work applied by way of an hourly rate."</i></p>
4.68 Non-Standard Substation Buildings	N/A	<p>Included an additional paragraph:  <i>"Where you require us to locate substation plant and equipment within a non-standard building or enclosure e.g. where the substation is to form an integral part of a building also to be used for other purposes then other charges will normally apply for building and design work and on-site inspections. Charges for this type of work will be consistent with those we make where we adopt networks from an ICP."</i></p>

### Specific areas of interest

Although we are interested in your views regarding all the amendments described in Table 1, there are some amendments/additions which are of particular interest:

- Speculative developments: GTC narrows the definition of 'speculative' from "the capacity requested caters for future expansion rather than the immediate" to "the capacity requested caters for future, currently unplanned, expansion rather than the immediate requests". hat

- Reservation of import capacity: GTC wishes to allow connectees the option of reserving capacity for a predetermined reservation charge.

### **Consultation Question**

Do you believe the modifications to the CCCM made in GTC's Statement are reasonable and are in line with the Relevant Objectives? Please provide reasons for your response.

### **Next steps**

The closing date for responses to this consultation is 1 March 2017. Once we have considered the responses, we will make our decision on the approval of GTC's CCM based on our understanding of the wider impact of the proposed amendments on stakeholders.

All written responses should be sent by e-mail and preferably in PDF form to [shai.hassid@ofgem.gov.uk](mailto:shai.hassid@ofgem.gov.uk). We will publish all non-confidential responses on our website. If you do not wish all or part of your response to be made public, you should clearly mark your response as confidential. If you are submitting confidential material, it would be helpful if this could be confined to an appendix so that we can publish the main body of the response.

While we encourage you to make written submissions, we recognise that some parties may also want to meet with us to discuss the change proposal. Should you wish to do so, please contact Shai Hassid by email or on 0203 263 9841.

We look forward to hearing your views.

Yours faithfully

James Veaney

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Energy Systems**