

Proposed variation:	Amendment to Western Power Distribution’s¹ Connection Charging Methodology and Statement for 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:	11 July 2017	Implementation date:	1 August 2017

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 its methodology at least once a year and make any modifications necessary for the purpose of better achieving the Relevant Objectives.⁵

Amendments to the methodology are required to reflect changes in the connection arrangements. Amendments to the CCCM⁶ are made through DCUSA change processes and DNOs are expected to update their methodologies in line with approved DCUSA Change Proposals (DCPs).

DCP190 was approved by us on 24 March 2015 and implemented from 1 April 2015.⁷ 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

¹ Western Power Distribution holds four distribution licenses – Western Power Distribution (South Wales) PLC (Company No.: 2366985) ; Western Power Distribution (South West) PLC (Company No.: 2366894) ; Western Power Distribution (East Midlands) PLC (Company No.: 2366923) ; Western Power Distribution (West Midlands) PLC (Company No.: 3600574).

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 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

⁶ Schedule 22 of the DCUSA

⁷ <https://www.ofgem.gov.uk/publications-and-updates/distribution-connection-and-use-system-agreement-dcusa-dcp190-and-dcp190a-credit-equipment-recovery-associated-temporary-connections>

example where administrative costs are higher than the amount refunded to the customer.

In our decision to approve the modification in DCP190 we asked the DNOs to give timely consideration to proposing an appropriate de minimis value and to satisfy us the amount is reasonable and efficient. Until the de minimis value is set out in the Company Specific Connection Charging Methodology and has been approved by us, DNOs are required to provide credit for the recovery of equipment associated with a temporary connection regardless of the amount.

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

On 13 June 2017 WPD submitted a proposal for changes to section 6 of its Company Specific Connection Charging methodology (for each of its four licenced DNOs) in accordance with SLC 13.4. The proposal is to add a new paragraph 6.31, that sets out the de minimis level of £100 with respect to credit for equipment recovered following the disconnection of a temporary connection. WPD have proposed this amount based on the cost of three elements of work;

- determining whether the equipment used for a temporary connection can be reused;
- calculating any refund; and
- processing any credit.

WPD have determined this value based on the time required to carry out the three elements of work and the employee cost.

WPD considers that the changes better achieve the following Relevant Objectives:

- Relevant Objective 13.3 (a) - as it better facilitates compliance with the requirements set out in the licence, by clarifying how the CCCM should be applied with regards to DCP190. The change from DCP 190 enables consistency amongst DNOs in the provision of credit for the recovery of equipment associated with a temporary connection.
- Relevant Objective 13.3 (c) – as the amendments to implement DCP190 result in credits received by customers for equipment associated with a temporary connection that can be reused, more accurately reflecting the costs incurred by the connecting customer.

Reasons for our decision

We have decided **not to veto**⁸ 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 principal objectives and wider duties.⁹

We have made this decision on the basis that WPD's proposals are consistent with the approach [set out in DCP190] and therefore better achieve Relevant Objectives 13.3 (a) and (c). The reasons for this decision are set out below.

⁸ The Authority has decided not to exercise its power under SLC 13 to direct the licensee not to make a change within 28 days of receiving the licensee's report. 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.

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 WPD's proposed amendments to include a de minimis level in its methodology better reflect its current licence obligations under SLC 12 to be consistent with the relevant Charging Methodology.

In order for DNOs to comply with SLC 12, their connection charges must be consistent and referable to the relevant charging methodology. The amendments to reflect DCP190 enable consistency amongst DNOs in the provision of credit for the recovery of equipment associated with a temporary connection.

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

The de minimis level of £100 appears to be reasonable and reflects the costs incurred by the DNO. The amount is consistent with the value derived by other DNOs to cover administrative costs of processing the refund for equipment from a temporary connection. The inclusion of the de minimis value protects the customer and the DNO from burdensome administrative costs. We therefore consider that this modification better facilitates this Relevant Objective.

We note the misspelling of "de minimis" in the proposed text and expect this error to be corrected before publication.

Timetable for implementation

WPD intends to implement the proposed changes contained in this modification proposal by 1 August 2017.

If you have any questions relating to the issues discussed in this letter please contact Stephen Perry on 0207 901 1806 or Connections@ofgem.gov.uk.



James Veaney

Head of Electricity Connections and Constraint Management

Signed on behalf of the Authority and authorised for that purpose by the Authority.