

Modification Proposal - WPD/Wales/West/Midlands/031

Modification– Update of our specific connection charging methodology to include the de-minimus value referred to DCUSA Schedule 22, paragraph 1.33

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Version number: V1

Details of Proposal:

Western Power Distribution Plc is seeking the approval of the Authority to modify our specific connection charging methodology for our South West, South Wales, West Midlands and East Midlands licence areas in accordance with Standard Licence Condition (SLC) 13.4 to include the de-minimus value into Section 6 of our individual Connection Charging Methodology. The de-minimus value is referred to in DCUSA Schedule 22, paragraph 1.33 following the Authority's approval of DCUSA Change Proposal 190 on 24 March 2015.

Description of the changes:

This modification proposal proposes to include wording within Section 6 of our individual Connection Charging Methodology to state the de-minimus value referred to in DCUSA Schedule 22, paragraph 1.33 (paragraph 5.33 of the Common Connection Charging Methodology).

By setting a de-minimus value, we can ensure that credit is only provided where it is efficient and economical to do so. A credit will not be provided where the reasonable administrative costs incurred will be higher than the value of the equipment recovered. We are therefore proposing to include the following paragraph within our individual methodology.

Credit for equipment recovery associated with Temporary Connections

6.31 The net value referred to in paragraph 5.33 will not be provided where the administrative costs incurred are higher than the value of recovered equipment that we can subsequently reuse (net of depreciation and removal and refurbishment costs). The de-minimus level, below which it is inefficient to provide a refund is £100. This value is based on the costs of:

- determining whether the equipment can be reused;
- calculating the refund; and
- processing any credit.

Licence objectives:

The specific connection charging methodology has the following objectives set out in standard licence condition 13:

- a) that compliance with the connection charging methodology facilitates the discharge by the licensee of the obligations imposed on it under the Act and by this licence;
- b) that compliance with the connection charging methodology facilitates competition in the

generation and supply of electricity, and does not restrict, distort or prevent competition in the transmission or distribution of electricity;

- c) that compliance with the connection charging 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; and
- d) that, so far as is consistent with sub-paragraphs (a), (b) and (c), the connection charging methodology, as far as is reasonably practicable, properly takes account of developments in the licensee's distribution business.

Why the proposal complies with the relevant licence conditions:

The majority of the DCP190 working group agreed that Charging Objective 1 is better facilitated as DNOs are required to have a CCCM and a charging statement in place. By clarifying how the CCCM should be applied in the context of temporary connections DCP190 facilitates compliance with the requirements set out in the licence. DCP190 also has the effect of enabling consistency amongst DNOs in the provision of credit for the recovery of equipment associated with a temporary connection and ensuring that this is reflected in the CCCM.

This modification better facilitates Charging Objective 3 as customers who are able to receive credit for equipment that can be reused once a temporary connection has been de-energised more accurately reflects the costs incurred by the connecting customer.

Conclusions:

As this proposal facilitates the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence and also better reflects the costs incurred by the business we would like to introduce this change from 01/08/2017 and would therefore ask Ofgem to consider this proposal and inform us of its decision.