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Making a positive difference
for energy consumers

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Dear Lucy

Decision to approve the Statement of Methodology and Charges for Connection to the Electricity Distribution System of Harlaxton Energy Networks Limited

This letter sets out our¹ decision to approve the Statement of Methodology and Charges for Connection to the Electricity Distribution Systems of Harlaxton Energy Networks Limited ('the Company')².

Background

In accordance with standard licence condition ('SLC') 13 of the Electricity Distribution Licence ('the Licence'), all Independent Distribution Network Operators (IDNOs) are required to have in force at all times a Connection Charging Methodology ('CCM') which has been approved by us on the basis that it achieves the Relevant Objectives.³

Each IDNO must also review their methodology at least once a year and make any modifications necessary for the purpose of better achieving the Relevant Objectives.

The Distribution Connection and Use of System Agreement (DCUSA) contains the Common Connection Charging Methodology ('CCCM').⁴ While the CCCM applies to Distribution Network Operators (DNOs)⁵ and not IDNOs, it does however set out a common approach to connections charging and has been assessed based on achieving the Relevant Objectives. Within the CCCM, there is a section where each DNO can provide details of company-specific connection charging arrangements.

You submitted your final proposed CCM to us on 13 October 2017 for approval.

Our decision

In making our decision, we have considered whether your CCM reasonably achieves the Relevant Objectives as described in SLC 13.3:

¹ 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.

² <http://www.harlaxtonenergynetworks.co.uk/wp-content/uploads/2014/07/Statement-of-Methodology-and-Charges-for-Electricity-Connections-HARL-....pdf>

³ These Relevant Objectives are set out in SLC 13.3 of the Distribution Licence:

<https://epr.ofgem.gov.uk/Content/Documents/Electricity%20Distribution%20Consolidated%20Standard%20Licence%20Conditions%20-%20Current%20Version.pdf>

⁴ Schedule 22 of the DCUSA

<https://www.dcusa.co.uk/DCUSA%20Document%20Public%20Version/DCUSA%20Schedule%2022%20v9.2.pdf>

⁵ Distribution Service Providers (DSPs) are required to comply with the CCCM - this means any Electricity Distributor in whose Electricity Distribution Licence the requirements of Section B of the standard conditions of that licence have effect (whether in whole or in part). It includes DNOs but does not include IDNOs.

- 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
- 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.

We have taken account of the extent to which your proposed methodology mirrors either the existing CCCM used by DNOs, or existing CCM used by other IDNOs, which we have previously approved. We note though that whilst SLC 13.1(b) says that all licensees should have a CCM approved by us in place at all times, the licence does not require an IDNO to adopt the CCCM.

In assessing whether your CCM meets the Relevant Objectives, we adopted the following approach:

- I. We considered areas where your CCM follows the CCCM, or the company specific methodology used by individual DNOs, to achieve the Relevant Objectives, since these methodologies have been approved by us in the past.
- II. In areas where your CCM differs from the CCCM, we considered the CCM of other IDNOs which have been approved by us in the past, or any reasons provided for taking a different approach and how these better meet the Relevant Objectives.

In our assessment, we have not seen any evidence to indicate that your CCM does not meet the Relevant Objectives. We have therefore decided to **approve**⁶ it.

Our approval of your methodology does not require us to consider whether your methodology meets the Relevant Objectives better than the methodology used by DNOs. Therefore the following should be noted:

- Our approval of your CCM does not imply that we find the drafting in your CCM to be preferable to the wording in the approved methodologies used by DNOs.
- Our approval of your CCM does not indicate our position for potential DCUSA CCCM modifications or future approval of DNOs' CCMs.
- Your CCM will only apply to the customers connecting to your networks. The content of your CCM does not necessarily reflect connection arrangements between your networks and those operated by DNOs, where the relevant DNO's CCM will apply. Costs that are not recovered from connecting customers through your methodology may still be recovered from you by a DNO applying its methodology.

Annual review and future modification

SLC 13.2 requires licensees to review their methodology at least once a year and raise any modifications necessary for the purpose of better achieving the Relevant Objectives. The process of modifications should be in line with the procedures set out in Part C of SLC 13. In approving future submissions of your CCM, we will assess proposed changes against your most recently approved CCM. We expect methodologies to improve over time to reflect changes in network conditions and operations and feedback from customers. We also see

⁶ Our decision to approve this methodology does not in any way constitute any form of approval, guidance or comfort in respect of the DNO's compliance with competition law

benefit in IDNOs adopting best practice used by other similar network companies and maintaining consistency across methodologies where practicable.

While we note that your CCM is compliant with SLC 13, we encourage you and other IDNOs to consider alignment between your CCM and DNOs' CCCM. Although IDNOs are not obliged to follow the CCCM, we see benefits to customers in DNOs and IDNOs having a consistent approach to the structure and form of connection charging methodologies. Where an IDNO's CCM does differ from the CCCM, we encourage the IDNO to explain why the difference better achieves the Relevant Objectives.

Disapplication of Condition 13C - Recovery of Reinforcement Costs arising in respect of Relevant Customers

We note that the additional requirements introduced by SLC 13C⁷ have been included in your methodology. SLC 13C.9 allows that once we are satisfied that this has been done we will issue a direction so that SLC 13C ceases to have effect for that licensee. This process will follow your methodology approval.

If you have any questions in relation to this letter please contact David McCrone at david.mccrone@ofgem.gov.uk or on 0141 341 3993.

Yours sincerely



Chris Brown
Head of Core and Emerging Policy
Energy Systems

Signed on behalf of the Authority and authorised for that purpose

⁷ Under paragraphs 4.37 and 4.38