

WPD response to Ofgem's consultation on principles to be considered when recovering the costs of providing 'flexible connections' January 2018

The following represents WPDs response to Ofgem's request for views on a number of policy issues brought to light by SSENs proposed modifications to their Statement of Methodology and Charges for Connection. The ENA response to this consultation reflects the collective views of its electricity Distribution Network Members (DNOs) and therefore WPDs 'in principle' position on the questions set out in the consultation. Our response provides additional information including highlighting issues more specific to the particular characteristics of WPDs network and our experience to date of planning, delivering and operating flexible connection schemes. This response is made on behalf of all four of WPD's licensed distribution areas.

1. Do you agree with SSEN's approach to classify the costs relating to operating 'flexible connections' as 'Operation and Maintenance' (O&M)? Please explain your reasoning.

Yes, we agree the annual costs associated with providing a flexible connection should be classified as operation and maintenance costs where the scheme controls a defined capacity and the customers directly benefiting can be identified. These charges are incurred during the lifetime of the asset and cover on-going maintenance of the systems that actively monitor and manage network conditions. They should not cover the initial installation costs of the asset as these will be included in the connection charge. They also exclude charges for the operation and maintenance of the distribution system as a whole which are captured separately through use of system charges.

We believe this methodology is the most cost reflective and fair way of charging for the on-going costs and is preferable to passing the costs on to use of system users as a whole, or to capitalising as a one off up-front payment.

2. Do you agree with SSEN's proposed principle that a 'flexible connection' cannot be a 'Minimum Scheme'? Please explain your answer.

It is unlikely that a flexible connection would be classified as a 'Minimum Scheme', as due to the nature of curtailment required as part of a flexible connection, it does not provide the required capacity at all times in the way that a conventional connection does. A DNO would have difficulty in calculating the overall capital cost of a flexible connection if it is not able to determine the costs incurred by the customer due to curtailment. However this would not preclude a flexible connection from an assessment taking place that demonstrates that it meets the criteria for being the minimum scheme. Notwithstanding this fact we recognise that a flexible connection may allow the customer to connect more quickly and at less cost than a conventional connection. We believe the industry needs to further consider the scenarios under which a flexible

connection can be made and hence whether there are circumstances under which they may be defined as 'minimum' or 'enhanced'.

3. ***Under the Common Connections Charging Methodology ('the CCCM'), the ongoing costs of operation and maintenance relating to additional assets requested by the connecting customer (over and above those associated with the Minimum Scheme) will be payable in full by that customer (not supported through the Use of System Tariff).***

Based on

- ***SSEN's interpretation of the 'Minimum Scheme',***
- ***SSEN's proposed classification of flexible connections' costs as 'O&M', and***
- ***the CCCM,***

under SSENs proposed methodology, the entirety of costs of 'flexible connections' will be borne by the connecting customer.

Do you agree with SSEN's proposed apportionment of costs of 'flexible connections' and stated rationale (that all of these costs are bespoke and specific to the connection, do not provide any value to wider use-of-system customers and should not be recovered from the wider customer base)? Please explain your reasoning.

Where these costs are bespoke and are additional costs resulting directly from the individual customer connecting to the system, then it is fair that the annual cost of supporting the flexible connection is borne solely by them but that wider costs are apportioned.

However, where an ANM scheme covers a wider, unspecified group of connections, including demand and generation this methodology may no longer be attributable therefore it may be beneficial to consider a certain level of socialisation of costs.

4. ***Are there any relevant differences between types of flexible connections (eg timed, ANM, etc.) which should be considered in determining the approach to classifying and allocating associated costs? Please explain your answer.***

Flexible connections do not always result in a customer incurring on-going operation and maintenance charges, for example where a timed connection is utilised. The proposed methodology should not affect these types of connections and so could still be employed as long as customers are informed there will be no O&M charges.

Systems implementing flexible connections may also confer benefits to wider numbers of customers than those immediately and directly identified. The multiple uses for such systems can make it difficult to identify the capacity released.

5. ***How do you currently classify and recover the costs of 'flexible connections'? What are the reasons for your approach? Does your approach differ depending on the type***

of scheme? How do you expect your current approach to evolve (if at all) over the medium term (next 3-7 years)?

For each of WPDs defined ANM areas, which have been planned to defer generation related reinforcement, the overarching costs for the system, including hardware, service and documentation is calculated. Any generator participating in the ANM scheme will be expected to pay a proportion of the system costs based upon their generator capacity apportioned against the pre-installation ANM capacity. This is in addition to the sole user costs. Both system costs are included within the up-front connection charges.

The on-going operation and maintenance costs are calculated using the same principles. A generator is required to pay the annual costs for running the sole user system and an apportioned part of the annual costs for running the overarching system.

We believe the above methodology of apportioning overarching system costs and charging full costs for sole user systems is a cost reflective and fair means for charging.

However, we recognise that this current methodology would not easily accommodate the repurposing of such systems for energy storage and demand side response.

All of our other alternative connections (Soft-intertrip, Timed and Import/Export limited) connections have no operation and maintenance charges.

We shall keep our current approach to charging under review to ensure we continue to deliver cost effective charging solutions throughout our transition to DSO and the development of non-network solutions, such as demand side response or other flexibility services. We are also mindful of the work being undertaken under the Open Networks Project and Ofgem's Targeted Charging Review.

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

We have not commented on specific parts of the modification proposal including SSENs proposal to remove operation and maintenance paragraphs specific to their business. However, we believe the modifications are reasonable and in line with the Relevant Objectives listed in SLC13, specifically for the methodology, as far as is reasonably practicable to ensure charges reflect costs incurred and to reflect developments in the in the Licensees distribution business.