

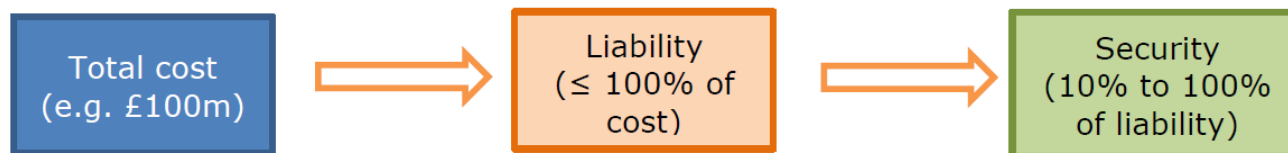
DCP 392 'Charging of Third Party DNO Works to Transmission Connection Users'

COLLATED RFI RESPONSES

Company	Q1. What are your current reimbursement arrangements where a distribution user pays for transmission reinforcement (as per DCUSA Schedule 22, Clause 1.43 to 1.44A)?
UKPN	Where a Customer's connection solution requires reinforcement at transmission level the reimbursement payments are treated as "pass-through" costs (no on-costs added) as detailed in Section 5.43 – 5.44A of the UKPN Common Connection Charging Policy & Statement (CCCMS).
SSEN	NGESO apportion the cost of reinforcement works triggered by distribution connections and pass those costs to the DNO as their customer. The DNO can then pass those costs onto their customer(s).
National Grid ESO	<p>NGESO contracts with industry parties for connections to the transmission system and connections to the distribution system which impact on the transmission system. These contracts (and associated charging methodologies) are documented in the CUSC and so the Common Connection Charging Methodology (CDCM) methodology documented in the DCUSA is not used. The CUSC methodologies are summarised below and applied equally to transmission and distribution users.</p> <p>Pre-connection methodologies</p> <p>This section covers arrangements that would be in effect from connection contract signature up to initial energisation of the project. There are two methodologies used to provide financial security from the User to NGESO for works on the transmission system;</p> <ol style="list-style-type: none"> 1 - Final Sums – the user provides full financial security for the full costs incurred by Transmission Owners. This method is applied to 'demand connections' and so would be applied to DNOs who need to expand their connection capacity to reflect demand growth on their network. 2 - User Commitment – the user provides financial security based on a proportion of their liability, which in turn is a proportion of the total cost incurred by Transmission Owners – this is shown below;

DCP 392 'Charging of Third Party DNO Works to Transmission Connection Users'

COLLATED RFI RESPONSES



These proportions are based on a number of factors including, what share of the transmission works the users would utilise, whether the site has planning permission or not and how soon the expected energisation date is.

The User Commitment methodology (as detailed in CUSC Section 15) is applied to all 'generation' connections (including storage) irrespective of if the generator is transmission or distribution connected.

For both of the above, the financial security is only drawn upon (by NGESO) if the project terminates their connection before energisation; if the project does energise then the financial security is returned in full and the below 'post connection' methodology are applied.

Post-connection methodology (CUSC Section 14)

This section covers arrangements from initial energisation of the project through the project's lifetime up to disconnection. There are slightly different approaches in place depending on how the assets built are categorised, these are listed below;

- **One-Off Works** – These are works which are deemed over and above 'minimum economic design' and so are 'bolted on' to any charges associated with of Transmission Connection Asset Works and Infrastructure Asset Works. The party who triggers these works can choose how and when they are paid for, from paying for the works in full before energisation (i.e. capitally contribute) to paying for the works over their lifetime (up to 40 years). The value of this charge is directly related to the cost of the works and is the same for both demand and generation connections.
- **Transmission Connection Asset (TCA) Works** – These are works (up to 2km in length) that are used solely by a single user. From a CUSC perspective, a 'single user' in this regard is the DNO and their network. For DNOs, this typically covers most assets at a Grid Supply Point (GSP) such as SGTs and switchgear but the details are site specific depending on ownership boundaries and site configuration. As with One-Off Works, the user who triggers and uses the works can decide on how these assets are paid for, from paying for the works in full before

DCP 392 'Charging of Third Party DNO Works to Transmission Connection Users'

COLLATED RFI RESPONSES

	<p>energisation (i.e. capially contribute) to paying for the works over their lifetime (up to 40 years). This value of this charge is directly related to the cost of the works and is the same for both demand and generation connections.</p> <ul style="list-style-type: none">• Infrastructure Asset Works – This category covers all other works not listed in One-Off Works or TCA Works. This is a highly complicated methodology that is different between generation and demand but in summary, this methodology does not require any User to directly pay for any reinforcement. Users who are liable for TNUoS pay for the use of these assets during the asset's lifetime and the amount that onshore Users pay is not directly affected by the value of the assets they are using. As of writing (and pending any decision on Ofgem's Access & Forward-Looking Charges SCR), neither DNOs or most embedded generators (except those =>100MW) are liable for TNUoS and so do not pay for infrastructure assets (and so do not pay for any reinforcement undertaken on them).
Northern Powergrid	<p>We would apply the Electricity (Connection Charges) Regulation 2017 as appropriate. The charges for transmission network works are based on the charges necessary to facilitate the provision of the First Connection. Where NGET places a requirement to provide security (and associated liability) in respect of transmission network works this should be explicitly excluded from the ECCR.</p> <p>Note: There is no concept of 'transmission reinforcement' however, a distribution user may be required to contribute toward 'Attributable Works' which are similar to distribution 'Extension Assets', i.e. sole use assets.</p>
WPD	<p>Where a Distribution connected Customer triggers works on the Transmission System;</p> <ul style="list-style-type: none">- The Customer is informed, in their connection Offer, that their connection may require works on the Transmission System and notes they will be liable for the full costs of the assessment and design and, if applicable, construction.- If the Customer accepts the Distribution Connection Offer the Project Progression process is triggered. The NGESO costs required by NGESO to carry out the assessment are passed on directly to the Distribution Customer who pay the costs in full.

DCP 392 'Charging of Third Party DNO Works to Transmission Connection Users'

COLLATED RFI RESPONSES

	<ul style="list-style-type: none">- Where the NGESO assessment confirms works are required on the Transmission network in order to facilitate the Distribution Connection the Connection Offer is varied to reflect this requirement. The Distribution Customer is liable for the full costs of the Transmission works e.g. the full cost of any Transmission works are passed on to the Distribution Customer.- The timescales written into the varied Offer are reflective of the timescales required by NGESO in terms of payment to complete the works.
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Company	Q2. How are diversions catered for in the Distribution Licence regarding the costs incurred?
UKPN	Any costs incurred as a result of diversionary works are treated in accordance with Charge Restriction Condition 5 (CRC5). This condition sets out the basis on which services that we provide may be treated as Directly Remunerated Services. Providing that none of the works requested are not already remunerated under any income categories, estimates for the required works would be calculated using our internal quoting system. The estimate would then be submitted to the Customer with any over or under recovery reconciled on completion of the works.
SSEN	The treatment of diversions is covered under Special Licence condition CRC5C. It stipulates that DNOs have the right to charge for reasonable costs and a reasonable rate of return. The same licence condition also includes a miscellaneous category which sets out the charging allowance for the provision of any other service for the benefit of any third party who requests it. For those services, a reasonable cost and reasonable margin is required when charging customers.
National Grid ESO	NGESO does not have a distribution license and so has no provisions for diversions costs within its licence. However, any diversion of assets (including costs) associated with a connection will follow the same principles as question 1.
Northern Powergrid	Diversions are only mentioned in SLC15 'Standards for the provision of Non-Contestable Connection Services' and are included where they are associated with a connection. Standalone diversions are not covered under the licence or the Electricity Act.

DCP 392 'Charging of Third Party DNO Works to Transmission Connection Users'

COLLATED RFI RESPONSES

WPD	<p>Where 3rd party Works/Diversionary works are requested on the Distribution System;</p> <ul style="list-style-type: none">- The Customer can request a Diversion Offer for Diversionary Works to be carried out on the Distribution System.- A Diversionary Works Offer (Offer for Works) is issued to the Customer.- The Offer notes the Customer is liable for the full costs of the works.- The Customer can then accept and, as per the terms of the Offer, be responsible for the full costs of the works.- Staged payments can be applied.- Each payment is completed in advance of each stage.
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