Access & Forward Looking Charging Decision Document extract

Treatment of transmission reinforcement triggered by distribution connections

3.86 In our June 2021 Consultation on minded-to positions, we highlighted that, even though customers seeking to connect to the transmission network face a shallow connection charge, Transmission Attributable work (eg upgrading a Grid Supply Point) that has been triggered by a distribution connection is currently charged to the individual connection customer as part of the DNO's connection charge.108 While we consider that these arrangements need to be reviewed, we confirm our minded-to position not to make any changes to the current treatment of transmission work triggered by a distribution connection at this time.

3.87 We acknowledge that current arrangements could result in prohibitively expensive upfront costs that may adversely influence investment decisions, preventing connections from going ahead that could be beneficial to consumers. Large distributed generation is at particular risk of facing a high upfront charge related to work at transmission level, as well as ongoing wider locational transmission generation charges. This represents a boundary distortion between transmission and distribution systems.

3.88 In our Consultation on minded-to positions we noted that an alternative could be to recover these costs through ongoing use of system charges, however such an approach would create several challenges that would need to be addressed, in order to avoid excessive impacts on consumers. For example, changes to the electricity distribution licence would be required to allow DNOs to recover these costs through DUoS, but more consideration needs to be given as to whether or not it is appropriate for transmission costs to be included within a DNO's regulated allowance.

3.89 Further thought also needs to be given as to whether these costs, if recovered through use of system charges, can be appropriately targeted. Whilst this Decision focuses on the distribution elements of the connection charge, we will continue to consider these arrangements in our ongoing work on DUoS and TNUoS and communicate with stakeholders on how we think this work is best taken forward