

## DCP 461 Options

### Overview

The change proposal identified two distinct but related issues:

- a postcode lottery for connection costs
- unsustainable financial burden on individual customers

The sections below consider options for these separately.

#### **1. Postcode lottery for connection costs**

This arises from the Transmission charging regime where Infrastructure and non-Infrastructure sites are treated differently. With the increase in Infrastructure sites this is expected to be about a 40:60 split so the likelihood of different treatment arising from which GSP a connection is made to is high.

There are a number of options to address this:

##### **1.1. No T costs passed through to D customers**

This would ensure full consistency irrespective of the classification of the GSP from the T charging.

##### **1.2. No T costs passed through to D customers unless the GSP is to feed one customer**

This would treat the new GSP as sole use and therefore extension assets and be fully chargeable to the connection customer at D. This would retain consistency with D charging principles as the assets would be shared if more than one customer but sole if only the single customer. This may avoid any gaming where a customer would avoid GSP costs if they were directly connected at T but option 1.1 was in place.

##### **1.3. Extend the voltage rule to T charges**

An alternative is to extend the D “voltage rule” principle to T charges. If this was applied then generation connecting at 132kV would pay for any 132kV costs at the new GSP; they would not pay for any of the transformer or higher voltage work. Generation connecting at 33kV or below would not be exposed to any costs.

##### **1.4. Application of a HCPT**

In all the examples above, consideration of whether a HCPT principle should apply would need to be considered. For context, for a 5MW/MVA connection, the thresholds are £1m for generation and £8.6m for demand and for 50MW/MVA are £10m and £86m.

##### **1.5. Implementation**

Implementation of any of these options is likely to result only in a reduction in costs for connecting customers (or no change). Therefore, there is the potential for this to be applied to the application of TMO4+ to the existing queue. If this was the desired approach, then the charging methodology would need to be updated before DNOs issued revised connection offers to successful Gate 2 projects.

## 2. Unsustainable financial burden on individual customers

This arises where DNOs do pass on the costs of any T changes to the connecting customers. Where there are a number of customers, these costs are typically shared based on the respective capacities. The issue arises if any customers fall away, either voluntarily withdrawing, being terminated or not meeting Gate 2 requirements. In these situations, the totality of the costs falls to the “last man standing”. This provides uncertainty and well as increase in costs which can happen at any time in the project lifecycle.

There are a number of options to address this:

### **2.1. Cost apportionment**

A form of cost apportionment could be applied such that any connecting customers only pay a proportion of the new GSP. This would have the effect of fixing the cost exposure for an individual connecting customer and remove the dependency of the actions of others. The approach to cost apportionment could mirror the existing ones for distribution, however, their applicability would need consideration, particularly for fault level. It should be noted that this could result in situations where the charge to the connecting customer is relatively small, for example if a 5MW generator triggered a new GSP, then the cost impact on DUoS customer would be very similar to those in scenario 1 above.

### **2.2. Cost apportionment with a threshold**

A cost apportionment approach may benefit from an explicit lower threshold below which costs aren't passed through to connecting customers. For England and Wales this could be aligned to the thresholds for the requirement for a Transmission Evaluation Assessment but these vary by GSP at either 1MW or 5MW so would need consideration.

### **2.3. Application of the voltage rule to T charges**

Consideration of the voltage rule would also be appropriate. Currently a connecting customer does not pay for any reinforcement of the distribution system at the voltage level above its point of connection. A generation connection at HV would therefore not pay for any reinforcement at 33kV or 132kV. The logic of charging them for any transmission assets therefore needs consideration.

### **2.4. Application of a HCPT**

In all the examples above, consideration of whether a HCPT principle should apply would need to be considered. This could mitigate the issue identified in 2.1 but does add complexity.

### **2.5. Implementation**

Implementation of any of these options is likely to result in increased costs for some connecting customers. Therefore, the potential for this to be applied to the application of TMO4+ to the existing queue is more challenging. If this was the desired approach, then implementation may need to be considered consistent with how Access SCR was done ie it applies to applications received after a specified date. Customers would be able to cancel an existing contract and reapply but would be subject to the requirements of the new TMO4+ requirements.