

High-Cost Project Threshold (HCPT)

The High-Cost Project Threshold for the purposes of these examples is £125,000/MW. There are two key principles:

1. T works costs up to the schemes High-Cost Project Threshold (HCPT) will be recovered using the agreed solution / methodology at the time of application.
2. T works costs in excess of the High-Cost Project Threshold (HCPT) will be charged to the connecting customer(s) in full.

The HCPT for an individual connection is calculated by multiplying the MW applied for by the HCPT value of £125,000. For example,

- a scheme applying for 150MW the HCPT is $150 * £125,000 = £18,750,000$, and
- a scheme applying for 300MW the HCPT is $300 * £125,000 = £37,500,000$.

1.0 High-Cost Project Threshold and Option 1 variants.

In the examples below assume that two separate applications result in T works costing £25,000,000. Project 1 applies for 150MW and Project 2 applies for 300MW.

Option 1.1: No transmission costs passed through to distribution connecting customers, instead to be recovered via DUoS charges. Project 1.

- Project 1. 150MW. HCPT is $150 * £125,000 = £18,750,000$

Cost of T works	HCPT (recovered via DUoS Charges). Up to:	Customers Contribution (Total cost – Projects HCPT value)
£25,000,000	£18,750,000	$£25,000,000 - £18,750,000$ $= £6,250,000.$

Result. In this example Project 1 would fully fund £6,250,000 of the T works ie the cost above the HCPT as calculated based on their requested capacity.

Option 1.1: No transmission costs passed through to distribution connecting customers, instead to be recovered via DUoS charges. Project 2.

- Project 2. 300MW. HCPT is $300 * £125,000 = £37,500,000$

Cost of T works	HCPT (recovered via DUoS Charges). Up to:	Customers Contribution (Total cost – Projects HCPT value)
£25,000,000	£37,500,000	£0

Result. In this example Project 2 would not fund any of the T works as all costs are below the HCPT as calculated based on their requested capacity.

Option 1.2: No transmission costs passed through to distribution connecting customers, instead to be recovered via DUoS charges, unless the GSP is to feed a single customer

As 1.1 above **unless** the GSP is to feed a single customer. Where a GSP is for a single customer that customer will pay in full, irrespective of any HCPT.

2.0 High-Cost Project Threshold and Option 2 variants.

Costs **up to** the HCPT the costs are apportioned between the Customer and the DUoS customers based on the capacity used by the connecting customer as a proportion of the installed assets capacity. This is the Cost Apportionment Factor (CAF).

Costs **over** the HCPT are paid in full by the connecting customers.

In the examples below assume that two separate applications result in T works costing £25,000,000, one application for 150MW another for 300MW. The T costs are for assets with a capacity of 500MW.

Option 2.1 - Cost apportionment. Project 1.

- Project 1. 150MW. HCPT is $150 \times £125,000 = £18,750,000$

Step 1. Calculate the Customer Contributions **above** the HCPT

Cost of T works	HCPT £Value	Customer contribution >HCPT	DUoS contribution >HCPT
£25,000,000	$£25,000,000 - £18,750,000 = £6,250,000.$	£6,250,000	£0

Step 2. Calculate the Customer contributions **below** the HCPT.

$$\text{CAF} = \text{Apportionable value} \times (\text{Customer requested capacity} / \text{Asset Capacity})$$

$$£18,750,000 \times 150 / 500 = £5,625,000$$

Cost of T works	Apportionable Value (£Value < HCPT)	Customer contribution via CAF (150/500)	DUoS contribution via CAF (350/500)
£25,000,000	£18,750,000	$£18,750,000 \times 150 / 500 = £5,625,000$	$£18,750,000 \times 350 / 500 = £13,125,000$

Step 3. Sum the contributions.

Party	Charge below HCPT.	Charge above HCPT	Total
Customer	£5,625,000	£6,250,000	£11,875,000
DUoS	£13,125,000	£0	£13,125,000
Total	£18,750,000	£6,250,000	£25,000,000

Result. In this example Project 1 would fund £11,875,000 of the T works ie a CAF apportioned cost up to the HCPT, **plus** the full cost above the HCPT

Option 2.1 - Cost apportionment. Project 2.

- Project 2. 300MW. HCPT is $300 \times £125,000 = £37,500,000$

Step 1. Calculate the Customer Contributions **above** the HCPT

Cost of T works	HCPT £Value	Customer contribution >HCPT	DUoS contribution >HCPT
£25,000,000	£0	£0	£0

Step 2. Calculate the Customer contributions **below** the HCPT.

Apportionable value \times Customer requested capacity / Asset Capacity

$$£25,000,000 \times 300 / 500 = £15,000,000$$

Cost of T works	Apportionable Value (£Value < HCPT)	Customer contribution via CAF (300/500)	DUoS contribution via CAF (200/500)
£25,000,000	£25,000,000	$£25,000,000 \times 300 / 500 = £15,000,000$	$£25,000,000 \times 200 / 500 = £10,000,000$

Step 3. Sum the contributions.

Party	CAF Apportionment	HCPT Apportionment	Total
Customer	£15,000,000	£0	£15,000,000
DUoS	£10,000,000	£0	£10,000,000
Total	£25,000,000	£0	£25,000,000

Result. In this example Project 1 would fund £15,000,000 of the T works ie a CAF apportioned charge of the total works.

Option 2.2 - Cost apportionment with applicability criteria

If the customer does not meet the applicability criteria they will not contribute to the T costs.

If the customer **does** meet the applicability criteria they will not contribute to the T costs then refer to option 2.1 above.