

# WPD Policy Decision

Document: An outline policy report  
on our Consultation on Allocation and  
Reservation of Capacity

*March 2019*

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# 1. Overview

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This document is issued on behalf of Western Power Distribution (South West) plc, Western Power Distribution (South Wales) plc, Western Power Distribution (West Midlands) plc and Western Power Distribution (East Midlands) plc, together 'WPD'.

It sets out our outline policy with regard to the provision of electricity connections within the WPD area for developments involving multiple premises that will require connection to the distribution system over an extended build-out period.

Our outline policy is summarised below:

1. **Letter of Authority** – we will require a letter of authority from the applicant to substantiate their relationship with the landowner/developer and to confirm the scope of the development area being applied for and to what extent the applicant has authority to request.
2. **Application information requirements** – we will require a minimum level of information on applications for connection before we will issue a formal Connection Offer to enable capacity to be secured.
3. **Connection Offer milestones** – we will extend the existing milestones thus strengthening our ability to ensure that projects which are not progressing do not unreasonably withhold capacity that may be utilised by others in the connections queue.
4. **Development Phase** – we will clarify the basis upon which applicants can ramp-up capacity requirements for up to five years post energisation.
5. **Capacity reservation rules** – we will allow applicants to reserve capacity post energisation using a two-tier system based upon the level of financial commitment they have made.
6. **Speculative developments** – we will charge an applicant 100% of any reinforcement costs and charge a capitalised sum for future operations, repairs and maintenance of the distribution system where the development is deemed to be speculative.
7. **Infrastructure Offers** – we will utilise an Infrastructure Offers for use on large domestic or commercial developments where the long term requirements are not fully known and are therefore speculative.

We will implement these processes by 30<sup>th</sup> June 2019.

## 2. Summary

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This document follows up on the work previously undertaken through our consultation on allocation and reservation of capacity and subsequent update report that set out our high level decisions.

Our aim is to develop improved processes that will allow the fair allocation of capacity for customers when they apply for new electricity connections serving larger multiple domestic and/or commercial premises.

This document seeks to build upon and add clarity to the high level conclusions that we reached following the consultation. We have created processes that will provide those customers who hold an offer for connection (the 'Connection Offer') with a reasonable level of assurance that the capacity that they have requested will be available for their use during a prescribed period whilst, at the same time, protecting other customers who have an immediate requirement for capacity, by seeking to mitigate the potential of having to pay higher connection charges for reinforcement works deemed necessary due to existing capacity being reserved.

This document focuses on seven areas that we believe are keys to success of managing such an arrangement. In terms of the application we require a Letter of Authority from the landowner/developer and then look at what information is required in order to secure a firm Connection Offer. With regard to post acceptance management we have developed Connection Offer milestones and reviewed our approach to accommodate a five year Development Phase. And in consideration of post-energisation arrangements we have further developed our rules for reserving capacity, looked at how we deal with 'speculative' developments and introduced a formal offer for infrastructure works.

We believe that making these changes will help us to deliver a manageable process in a fair and coherent manner that reassures customers and provides them with clarity of methodology.

## 3. Background

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### Introduction

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As a Distribution Network Operator (DNO), we have an obligation to connect customers to the network by constructing new assets and upgrading the existing network to provide the capacity they need.

In recent years we have seen an upturn in new demand connection enquiries with many of these characterised by relatively significant capacity requirements and long build out timescales; typically for large housing or commercial developments. We have also seen a rapid increase in requests to connect energy storage schemes which require large and immediate demand capacity requirements alongside their equivalent export capacity requirements.

The increase in demand for capacity means that in certain areas the network has become constrained so that no further connections can be made without first undertaking significant reinforcement. A considerable number of these constraints can be attributed to capacity which has been contracted under new connection schemes and reserved but has not yet been taken up by an end user. Typically we experience this issue following the receipt of applications to connect housing or commercial units that may 'roll out' over a number of years.

The issue of constraints on the network triggering costly and time consuming reinforcement is well understood and has been subject of much of the work undertaken by Ofgem through its consultation on quicker and more efficient connections and more latterly through Open Networks; a long term project led by Energy Networks Association (ENA) to progress the transition of DNOs to DSOs (Distribution System Operators).

Where investment in the existing network is needed, the connecting customer will be required to pay some of the cost (based on charging methodology rules), with the remainder being shared between all other users of the network through the application of charges for Distribution Use of System (DUoS). DNOs have a licence obligation to develop, maintain and operate an efficient, co-ordinated and economical network. Following this principle helps us to keep costs down and ensure that electricity bills are kept as low as possible for all customers. We are not allowed to reinforce the network ahead of need and recover the cost of doing so from our wider customer base unless we can demonstrate how all customers will benefit.

### The Consultation

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As a result of the capacity issues we are encountering we decided to consult with stakeholders to seek views on a proposed approach to the way in which we will allocate

network capacity to new customers and how we will allow them to reserve this capacity prior to the connection and energisation of the end user connections:

### [Capacity allocation and reservation - A consultation on approach and best practice](#)

The consultation focused on three key stages in the provision of capacity to new connections customers;

- Application
- Acceptance (of the Connection Offer)
- Energisation (and subsequent build out)

We set out four underlying principles that we believe should be applied when considering the allocation of capacity following an application.

**Principle 1** - Capacity should be allocated according to customers' defined and verified requirements assessed against a set of qualifying criteria. Principles of the qualifying criteria can be summarised as:

- When do you need the capacity? – i.e. what is the timescale for the completion of the development and therefore utilisation of the capacity
- Is the development confirmed rather than speculative?
- How much capacity do you really need? – i.e. what are the detailed load requirements for the connection(s)?

**Principle 2** - Capacity should be allocated on a strict date order of confirmed requirements and in line with WPD's interactivity procedures

**Principle 3** - Capacity should be allocated according to the immediate requirements of end users and not on a speculative basis or for future undefined developments

**Principle 4** - Capacity should be allocated with defined milestones for the obtaining of planning permissions, commencement of construction and completion of connection works.

### **The Decision document**

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We received over 20 responses from stakeholders representing a broad spectrum of connections stakeholders including Local Authorities, Local Enterprise Partnerships, independent connection providers (ICPs), independent distribution network operators (IDNOs), developers and consultants.

The responses covered a range of views with support for the approach we have tabled as well as some with concerns of its impact on them. Local Authority and Local Enterprise Partnership respondents particularly understood the issues and were broadly supportive and keen for us to be able to work closely with their development plans. We think it is important to work together and in this respect we have created a webpage specifically for Local Authorities and Local Enterprise Partnerships that provides advice on methods of

engagement, such as our stakeholder workshops, senior manager point of contact and connection appointments to access a local engineer for discussions ahead of submitting an application. It also provides information in relation to strategic network investment, strategic planning and our Long Term Development Statement.

#### [LGA/LEP Liaison for Network Development](#)

Whilst respondents were generally supportive and in agreement with the principles laid out in the consultation, there were concerns around the impact of restricting the ability to reserve capacity on large long-term developments and a call for WPD to be flexible in its approach. We have endeavoured to account for this whilst drawing up a set of processes and procedures which will ensure a balanced approach to these wide ranging stakeholder views. Our conclusions were set out under the update report:

#### [Update report on our consultation on allocation and reservation of capacity](#)

In our update report we set out the 'Next Steps' and identified seven separate areas for development:

1. **Letter of Authority** – establish a process for the use of a letter of authority to substantiate the application in terms of establishing the applicant's relationship with the landowner/developer and to confirm the scope of the development area being applied for and what the applicant has authority to request.
2. **Application information requirements** – update ground rules for information requirements in order to secure capacity under a formal Connection Offer, for example detailed load provision and build-out programmes.
3. **Connection Offer milestones** – review and extend existing milestones thus strengthening our ability to ensure projects which are able to progress and have been granted the appropriate planning permissions etc. can do so and those which have stalled and are not progressing will not cause an unreasonable bottleneck, for example using an additional milestone that will link to the developer's build out programme. Consider how the milestones are applied when a Development Consent Order rather than Planning Consent is required.
4. **Development Phase** – following the implementation of DCUSA Change Proposal 294 (DCP294), review and clarify the applicant's ability to ramp-up capacity requirements for up to five years post energisation.
5. **Capacity reservation rules** – clarify policy and process relating to the ability to reserve capacity post energisation using a two-tier system based upon whether or not an applicant has made a financial commitment. For example, allowing an applicant to retain capacity for a longer period where they have fully funded the sole use connection works or has contributed to reinforcement costs, either partially or fully.
6. **Speculative developments** – clarify policy and process relating to existing methodology for dealing with speculative developments by charging an applicant 100% of the

reinforcement costs where the development is deemed speculative and charging a capitalised charge for future operations, repairs and maintenance of the distribution system where there is no guarantee that these costs can be recovered through ongoing DUoS charges. Clarify how capacity can be reserved on speculative developments.

7. **Infrastructure Offers** – progress the development of infrastructure offers for use on e.g. large domestic or commercial developments where the long term requirements are not fully known and are therefore speculative.

We stated that we would develop policy and processes based upon each of the conclusions set out under the report and further engage with stakeholders to keep them informed of our detailed decisions. We also said we would be open to further feedback and, if we deemed it appropriate, tailor our initial proposals to take account of this feedback.



## 4. Letters of Authority

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**Decision document conclusion** – *“establish process for the use of a letter of authority to substantiate the application in terms of establishing the applicant’s relationship with the landowner/developer and to confirm the scope of the development area being applied for and what the applicant has authority to request.”*

### Summary proposals

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Following our consultation and a review of the responses received from stakeholders, we concluded that substantiating the connection requirements of an applicant prior to allocation and reservation of the required capacity was important in avoiding any reservations beyond the landowner/developers’ needs.

A key step in this process is to establish the relationship of a connections applicant with the landowner/developer and confirm the scope of the development area for which the landowner/developer has engaged the applicant to undertake. A letter of authority from the landowner/developer is an effective way to establish this relationship and confirm the development requirements.

Requiring a letter of authority with an application has proven an effective way of ensuring that applications for Distributed Energy Resources (DER) connections have the appropriate authority from the landowner of the premises detailed in the connection application. However, we do understand that in the past, for demand connection schemes, independent connection providers have had concerns that the requirement for a letter of authority at the application stage, can cause them difficulties when competing for work.

### Requirement for a Letter of Authority for large demand applications

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In order to balance the need to ensure that network capacity is allocated and reserved on the basis of fair and appropriate needs, with the need to ensure that our processes do not unduly hinder the application process, we will require a letter of authority following acceptance of a Connection Offer. The requirement to provide a letter of authority will be embodied within the milestones (see section 5) contained within the Connection Offer. The letter of authority will serve to verify the relationship of the applicant with the landowner/developer and serve to clarify the extent of the development/phases of the development being requested at this time.

## When to use the Letter of Authority

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We will require a Letter of Authority:

- ✓ Where the Customer is not the landowner and/or developer requiring the end connections
- ✓ For demand (or predominantly demand) Connection Offers for developments of 5 or more domestic properties or commercial developments of 2 or more properties
- ✓ For speculative developments (see section 8)

## Template Letter of Authority

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A draft template Letter of Authority has been developed for use and is shown overleaf.

# Template letter of authority

[To be completed and returned to WPD if the Customer is not the landowner or the developer of the properties to be connected]

[Office Address line 1]  
[Office Address line 2]  
[Office Address line 3]  
[Office Address line 4]

[Customer Address line 1]  
[Customer Address line 2]  
[Customer Address line 3]  
[Customer Address line 4]  
[Customer Address line 5]

Telephone:

Email:

Your ref:

[Connection  
Offer ref no.])  
reference

Date:

[ ]

Dear [WPD Contact name]

**Letter of Authority for connection works at [enter premises location referred to in Connection Offer] pursuant to a connection offer dated [insert date of the Connection Offer / Revised Connection Offer](the "Connection Offer").**

[I/We] \_\_\_\_\_ (full names / registered business name and no.)  
of \_\_\_\_\_ (address)

hereby confirm that [I am / we are] the freehold or long leasehold owner(s) of and/or developer of, with appropriate permissions and/or rights to develop, the land at:

\_\_\_\_\_ (the "Land")

[I / We] give permission for [insert name of Customer in Offer letter] (which includes its employees, agents and any successors) to enter into an agreement for the Connection Works at the Land detailed in the Connection Offer and with the characteristics of connection repeated below:

Import capacity [insert capacity from offer]kVA

Export capacity [insert capacity from offer]kVA

Total number of properties to be connected [insert from offer letter]

We agree that if at any time we withdraw our permission we will notify WPD (at the address above) of such withdrawal in writing.

We enclose a plan clearly showing the development boundary on the Land.

Signed.....for and on behalf of the landowner/developer

Full Name.....

Designation.....

**(NOTE THAT THIS MUST BE SIGNED BY AN AUTHORISED PERSON)**

## 5. Application information requirements

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**Decision document conclusion** – *“update ground rules for information requirements in order to secure capacity under a formal Connection Offer, for example detailed load provision and build-out programmes.”*

### Summary proposals

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To enable capacity to be secured under a Connection Offer, we agreed to set out the information which would need to be provided with an application for connection. Setting out the information required ensures that the requested capacity is substantiated and allocated in a fair and consistent manner.

We have given consideration to the different options available to connection customers and how variances may occur. It is important to ensure consistency regardless of who will be responsible for both the construction and ongoing maintenance of the network and associated connections. However, we also recognise that the responsibilities may affect the type of information required. For example, we have included a requirement to provide site layout plans. For connections to be owned and maintained by WPD, the plan should be a scaled layout of the site which includes the individual premises and the proposed meter locations. For sites to be adopted by an IDNO, the plan would not need to show meter locations but need to include the proposed Point(s) of Supply.

We also need to know the overall capacity (kVA) required and the number and type of properties to be connected. The applicant should also indicate and provide technical details regarding whether any customer owned generation equipment will be installed that has the potential to cause disturbance to the electricity supply (e.g. large motors, welders, etc.)

The requirement to deliver this information at the application stage is in line with existing policy for providing ‘minimum information’ without which we cannot undertake a proper assessment and design and the clock does not start with regard to Guaranteed Standards of Performance (GSOPs) for the submission of a Connection Offer.

We have set out the basis for the information which would need to be provided with an application for connection in ‘Table 1 – Information Requirements’ below.

Table 1 – Information Requirements

Requirement	All works by DNO	Contestable works by ICP for DNO adoption	Contestable works by ICP for IDNO adoption
Type of development (domestic/commercial/mixed)	✓	✓	✓
Number of properties by type	✓	✓	✓
kVA requirements	Per premises	Per premises	Per Premises and total for each Point of Supply (POS)
Specification of proposed generation	✓	✓	✓
Specification of electric vehicle charging equipment	✓	✓	✓
Specification of other potentially disturbing equipment	✓	✓	✓
Site plan of development boundary	Location plan and detailed plan with individual premises and meter locations	Location plan and detailed plan with individual premises and meter locations	Location plan and detailed plan with individual premises and location of each required POS*
Build programme	Number and type of connections each year	Number and type of connections each year	Number of connections and annual capacity ramp up for each required POS
Extent to which contestable services will be carried out by the ICP	N/A	✓	✓

\* For example, for an HV scheme, the location of each substation.

To illustrate the type of information we will require on application for connection to enable the capacity to be secured under a formal Connection Offer we have included a couple of case studies below.

## Case study 1

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### Connection type and associated capacity requirements

A Connection Offer is required for a mixed development with an overall site capacity of 150kVA consisting of:

- 18 domestic gas heated dwellings, 15kVA including 2kW roof-top PV compliant with ENA ER G98
- 1 retail unit, 90kVA import and 45kVA export for roof-top PV

### Electric vehicle installations

Each dwelling will include 2.3kVA electric vehicle charging points.

### Build programme

Year 1 – completion of 18 domestic dwellings

60kVA

Year 2 – completion of retail unit

90kVA import/45kVA export

### Extent to which contestable services are to be carried out

An ICP will carry out all the contestable works with the exclusion of the energising joint to the existing live WPD. All the contestable works will be adopted by WPD.

### Plans

A site location plan at 1:500 scale is included with the application indicating the land boundary, location of each premises requiring connection and meter locations. An example is shown below.



## Case study 2

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We have set out below the information received for an application to connect a large domestic scheme which enabled the capacity to be secured under a formal Connection Offer.

### **Connection type and associated capacity requirements**

A connection offer is required for a domestic development with an overall site capacity requirement of 1.3MVA consisting of:

- 365 dwellings
  - 250 gas heated 15kVA inclusive of 2kW roof-top PV compliant with ENA ER G98
  - 115 electrically heated 18kVA inclusive of 3.68kW roof-top PV compliant with ENA ER G98. Specification of electrical heating installation enclosed with application form.

### **Electric vehicle installations**

Each domestic dwelling will include 2.3kVA electric vehicle charging points.

### **Build programme**

Year 1 – completion of 80 gas heated dwellings	265kVA
Year 2 – completion of 20 gas heated & 50 electrically heated dwellings	275kVA
Year 3 – completion of 65 electrically heated dwellings	270kVA
Year 4 – completion of 80 gas heated dwellings	260kVA
Year 5 – completion of 70 gas heated dwellings	230kVA

### **Extent to which contestable services are to be carried out**

The ICP has requested Offers for both the network to be adopted by WPD and for an IDNO adopted scheme.

### **Plans**

A site location plan identifying the land boundary and a site layout plan including all premises and required meter locations is enclosed with the application. An example of each is shown below.

An example site location plan identifying the land boundary:



An example site layout plan including all premises and required meter locations:





## 6. Connection Offer milestones

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### Decision document conclusion

*“review and extend existing milestones thus strengthening our ability to ensure projects which are able to progress and have been granted the appropriate planning permissions etc. can do so and those which have stalled and are not progressing will not cause an unreasonable bottleneck, for example using an additional milestone that will link to the developer’s build out programme. Consider how the milestones are applied when a Development Consent Order rather than Planning Consent is required.”*

### Summary proposals

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Following the work undertaken by industry throughout 2016 to implement Quicker and More Efficient Connections, WPD adopted the recommendations set out under the Energy Network Association’s (ENA) document entitled, [“Fair and Effective Management of DNO Connection Queues: Progression Milestones Best Practice Guide”](#). Although primarily developed for queue management of generator connections it was widely accepted that the same principles could equally apply to demand connections.

We have found the implementation of milestones in generator Connection Offers has greatly helped our ability to ‘weed out’ slow moving and static schemes thus allowing us to recover export capacity that can then be utilised for the benefit of other applicants in the connections queue who have schemes that are ready to proceed and may otherwise had to incur significant reinforcement costs.

Our demand based Connection Offers currently carry only two milestones; one for commencement of the connections works and one for the completion of the connection works and energisation of the customer’s installation. We will extend these milestones to align more closely with the milestones already included in our generator Connection Offers.

### Application

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Connection Offers for larger developments (excluding 1 to 4 domestic premises and single commercial premises less than 70kVA) will include milestone clauses whereby the customer must meet a number of milestones by a specified deadline date. The terms below are illustrative of those that we intend to include:

### Planning Application

- i) a valid planning application shall have been submitted to the local planning authority within two [2] months from the date of the acceptance; or

- ii) where an Environmental Impact Assessment (EIA) is required
  - a) the EIA assessment work has been initiated within two [2] months from the date of acceptance; and
  - b) a valid planning application has been submitted to the local planning authority within fourteen [14] months from the date of the Acceptance Form;

### Letter of Authority

The customer has submitted to WPD within two [2] months from the date of the Acceptance Form (in a form reasonably acceptable to WPD), a letter of authority signed by the freehold/long leasehold owner(s) and/or developer of the premises to be developed confirming;

- i) that the freehold/long leasehold owner(s) and/or developer is/are the freehold or long leasehold owner(s) of and/or developer of, with appropriate permissions and/or rights to develop the premises, to which this Connection Offer relates;
- ii) that the freehold/long leasehold owner(s) and/or developer gives permission for the customer (which includes its employees, agents and any successors) to enter into an agreement for the connection works and associated characteristics of connection identified within this Connection Offer;
- iii) the extent of the premises by attaching a plan clearly showing the development boundary;
- iv) agreement of the freehold/long leasehold owner(s) and/or developer that, if at any time they withdraw their permission, they will notify WPD of such withdrawal in writing.

### Planning Consent

Planning consent for the development shall have been granted within [3] months from the date of the Acceptance Form;

### Commencement of works

A detailed programme of works is agreed and the connection works are commenced within [6] months from the date planning permission has been granted for the customer's development (save for in the event that this milestone is missed as a direct result of an act or omission of WPD); and

## Completion of works

The connection works are completed and (where relevant) the customer's installation is Energised within [12] months of the date of commencement of the connection works (save for in the event that this milestone is missed as a direct result of an act or omission of WPD).

The inclusion of these milestones will enable us to monitor progress throughout the lifetime of the connection works and specifically at the 'front end' by concentrating on planning and land rights requirements thus allowing us to differentiate between those projects that have a real opportunity to progress and those that are constrained for any reason.

We will endeavour to combine consistency of approach whilst showing some form of flexibility in allowing the extension of milestones where it is satisfactorily evidenced that an applicant has shown to be actively progressing a scheme which has a substantive chance of completion.

Development Consent Orders (DCOs) are generally required where the development is of significant scale and fall within the legal definition of a Nationally Significant Infrastructure project. The process for obtaining a DCO differs from a more routine planning permission insofar as it comprises a number of key stages for application, examination and decision making that can take up to 15 months to resolve. Where the applicant evidences that a DCO is required we will take account of this when assessing progression against planning milestones.

## 7. Development phase

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**Decision document conclusion** – *“following the implementation of DCP294, review and clarify the applicant’s ability to ramp-up capacity requirements for up to five years post energisation.”*

### Summary proposals

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In May 2018 Ofgem directed that DCUSA Change Proposal 294 (DCP294) should be made. DCP294 sought to ensure that the right to vary the capacity of a connection between DNOs and IDNOs was formalised and that any such variation considered the development phase of such a connection. It also sought to amend the timeframe of the ‘Development Phase’, defined in DNO Statements of Methodology and Charges for Connection, from three years to five years.

As a consequence the definition for Development Phase was amended to state: *“the five year period, unless otherwise agreed with us, commencing on the date of Energisation of an embedded network, during which period the development is to be constructed.”*

We amended our Charging Statement in June 2018 to reflect the modification and have since extended our Connection Offers to IDNO’s to allow a ramp-up of capacity over the Development Phase. Connection Offers also signpost a mechanism set out under the enduring Bilateral Connection Agreement to allow WPD and the IDNO to review capacity requirements and, where appropriate, propose a revised capacity.

To ensure a consistent approach across all applicants we will extend the principle of the post-energisation development phase to ‘non-IDNO’ applicants thus ensuring that these customers are not disadvantaged when a connection is provided and the take-up of capacity may grow over a period of time as the site develops and individual customers are connected. (See further section 7 regarding capacity reservation below.)

The Connection Offer will still contain a milestone for completion of the works, potentially 12 to 24 months from the date of commencement of the connection works.

## 8. Capacity reservation rules

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**Decision document conclusion** – *“clarify policy and process relating to the ability to reserve capacity post energisation using a two-tier system based upon whether or not an applicant has made a financial commitment, for example allowing an applicant to retain capacity for a longer period where they have fully funded the sole use connection works or has contributed to reinforcement costs, either partially or fully.”*

### Summary proposals

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We will ensure that connection customers are able to reserve capacity required for their developments on a fair and equitable basis, whilst ensuring that other connection customers are not unfairly disadvantaged and that we can maintain an economic and efficient network.

We will facilitate capacity reservation for both connection schemes and infrastructure schemes using a two tiered method based on whether the capacity is provided from the existing network or from newly constructed assets. Where the capacity is on the existing network by virtue of existing network assets having unutilised capacity available, then this capacity is made available to new connection or infrastructure schemes without a financial contribution, and as such we will only facilitate a reservation period in-line with the Development Phase (see section 6 above).

Where the capacity is provided by new sole use and/or reinforced assets and a customer has made a contribution to the construction of the assets, then we will facilitate a reservation period of up to 10 years in-line with the timescale prescribed in the Electricity (Connection Charges) Regulations 2017 recognising the financial commitment made by the customer.

### Capacity reservation criteria

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The period of time a customer may reserve capacity for will be governed according to whether or not they have contributed toward the capacity that is either existing or has been created.

#### **Existing network capacity – 5 years post-energisation**

##### *Connection Schemes*

Where a connection scheme requires only new connection assets to be constructed downstream of the existing network, without requirement for upstream reinforcement, the capacity required for the scheme is made available and reserved without a contribution from the connection customer.

WPD will agree to reserve the existing network capacity, for the connection scheme for 5 years from the initial energisation of the connection works. This timescale reflects the 'Development Phase' post-energisation facilitating the build-out of a connection scheme. Where there are delays to the build-out, WPD will consider evidence before determining whether to terminate the scheme releasing the capacity back to the network, or to extend the reservation period.

#### *Infrastructure Schemes*

Where an infrastructure scheme requires only new infrastructure assets to be constructed downstream of the existing network without requirement for upstream reinforcement, the agreed capacity will be reserved for a period of 5 years under an Infrastructure Offer agreement.

The reservation term is in line with the 'Development Phase' and will commence from the initial energisation of the infrastructure works.

#### **Constructed Capacity: sole use assets – up to 10 years post-energisation**

##### *Connection schemes and infrastructure schemes*

For the sole-use assets required for a connection or an infrastructure scheme, where the customer has contributed to the costs of the construction of the assets, the required capacity for the scheme will be reserved for 10 years following the initial energisation of the works.

#### **Constructed Capacity: upstream reinforcement – up to 10 years post-energisation**

##### *Connection schemes and infrastructure schemes*

Where the characteristics of either a connection or an infrastructure scheme require upstream network reinforcement works to provide their capacity, and the customer has contributed in full or in part to costs of the reinforcement, the capacity will be reserved for 10 years following the initial energisation of the connection works/infrastructure works.

## 9. Speculative developments

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**Decision document conclusion** – *“clarify policy and process relating to existing methodology for dealing with speculative developments by charging an applicant 100% of the reinforcement costs where the development is deemed speculative and charging a capitalised charge for future operations, repairs and maintenance of the distribution system where there is no guarantee that these costs can be recovered through ongoing DUoS charges. Clarify how capacity can be reserved on speculative developments.”*

### Summary proposals

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We will mitigate the risk of having stranded assets by charging in full for any reinforcement undertaken for speculative developments and apply additional charges to reflect the ongoing operation, repair and maintenance costs of the distribution system where there is no guarantee that these costs can be recovered through ongoing DUoS charges. Applying these charges sends a cost signal to the applicant such that if the development does not subsequently take place, the risk is with them and not the wider customer base. We believe that applying this principle will discourage developers from capacity banking thereby reducing the potential for delay to those developments that are ready to proceed.

“Speculative” is already a defined term within the Common Connection Charging Methodology (CCCM) provided in Schedule 16 of the Distribution Connection and Use of System Agreement, which all DNOs are obligated to abide by. The extract below is taken from WPD’s own Statement of Methodology and Charges for Connection to the Distribution System.

### **Speculative Developments**

5.39 Developments which have one or more of the following characteristics may be considered as speculative:-

- their detailed electrical load requirements are not known;
- the development is phased over a period of time and the timing of the phases is unclear;
- the capacity requested caters for future expansion rather than the immediate requirements of (an) end user(s);
- the capacity requested caters for future speculative phases of a development rather than the initial phase(s) of the development; or
- the infrastructure only is being provided, with no connections for end users requested.

5.40 Where we are asked to provide a connection to a speculative development then the cost of the work including any Reinforcement is charged in full and the CAFs do not apply. Additional charges to reflect ongoing operation, repair and maintenance costs may also be levied.

5.41 We may, at our sole discretion, allow capacity to be reserved on the infrastructure provided to service the speculative development on the commercial terms agreed between you and us in respect of the development.

It is only necessary for one of the above criteria to be met for the development to be considered as speculative. Whilst the definition is clear we understand that some applicants may require further clarity regarding the application of the above points. We have therefore set out in more detail below our interpretation of the requirements to avoid being deemed speculative.

- *their detailed electrical load requirements are not known;*

At the time of application the developer shall provide;

**For housing/commercial/industrial**

- ✓ a detailed drawing at an appropriate scale showing the roads and house types (i.e. 2/3/4 bed) and/or buildings
- ✓ the proposed location of each metering point
- ✓ total required import/export capacity (as appropriate)
- ✓ total electric off-peak/direct heating loads
- ✓ details of any low carbon technology, i.e. generation/heat-pumps/electric vehicle charge points
- ✓ details of any potentially disturbing loads
- ✓ the date when the developer requires the connections to be made

**For IDNO connections**

- ✓ a detailed drawing at an appropriate scale showing the roads and house types, i.e. 2/3/4 bed and/or buildings
  - ✓ total required import/export capacity (as appropriate)
  - ✓ preferred location of the point of supply
  - ✓ total electric off-peak/direct heating loads
  - ✓ details of any low carbon technology, i.e. generation/heat-pumps/electric vehicle charge points
  - ✓ details of any potentially disturbing loads
  - ✓ the date when the developer requires the connections to be made
- *the development is phased over a period of time and the timing of the phases is unclear;*

If the developer requests a connection offer covering more than one phase of work, the electrical load requirements detailed above must be provided for each phase, and the timing of each phase identified, at the time of application.



- *the capacity requested caters for future expansion rather than the immediate requirements of (an) end user(s);*

The anticipated completion date of the development, i.e. for completing all connections should be within 5 years from the date of first energisation. Applicants will be asked for a programme of works showing the proposed build out of works. Shorter timescales may be agreed for smaller developments, e.g. schemes only requiring LV sole use assets.

- *the capacity requested caters for future speculative phases of a development rather than the initial phase(s) of the development;*

If the developer includes capacity requirements for future phases of a development but is unable to provide detailed load requirements (as set out under section 4), these will be deemed as speculative, e.g. the developer requires 1MW of capacity for the initial phase, based on detailed requirements but 10MW for the overall development based on developers planning assumptions.

- *the infrastructure only is being provided, with no connections for end users requested.*

If the developer initially requires only electrical infrastructure to be installed and no end user connections are requested an infrastructure offer will be provided that will include a capitalised charge for operations, repairs and maintenance of those assets.

Where we charge in full for reinforcement and other customers connect to the network, utilising some of the capacity created by those reinforced assets, there may be potential for the original developer to receive a partial refund under the Electricity (Connection Charges) Regulations 2017 (“ECCRs”). However, this may only apply where an end connection was made which enables refunds within 10 years of energisation of such connection provided the initial contributor continues to meet the eligibility requirements and certain other conditions are met as set out in the ECCRs.

## 10. Infrastructure Offers

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**Decision document conclusion** – *“progress the development of infrastructure offers for use on e.g. large domestic or commercial developments where the long term requirements are not fully known and are therefore speculative.”*

### Summary proposals

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There are a number of ways in which a customer may obtain our charge for making an electricity connection, including budget estimates, feasibility studies and formal Connection Offers. The formal Connection Offer sets out the specific and general terms for providing a connection to WPD’s network, whether for the end connections or a point of supply for an embedded network. Traditionally these Connection Offers provided milestones for completion of the requested connections. Upon expiry or termination of a Connection Offer, any incomplete connections would be subject to a new application.

In some instances, the specific detail required when requesting a formal Connection Offer, such as site layout or capacity requirements, will be unknown. Developers may however wish to have network assets installed in preparation, for example during the construction of spine roads. Where infrastructure is requested, it is important to recognise that customers will require some assurance that, having made an investment into network assets, the capacity required for future connections will be available at the time of need.

We will develop a Connection Offer specific to infrastructure schemes (the ‘Infrastructure Offer’) which sets out the terms for the installation of the required assets and reserving the requested capacity. The Infrastructure Offer also sets out the timescales for which capacity will be reserved and the method by which subsequent connection requests may utilise the reserved capacity.

Whilst considering the Infrastructure Offer, we identified a need for a further Connection Offer which seeks to combine the requirements for both firm connections and infrastructure. This may include, for example, large scale developments where the site layout and capacity requirements have been defined for an initial parcel of land but not for the entire development.

There are a number of differences between a formal offer for connection and an offer for infrastructure works. The Infrastructure Offer would include the following:

- The charge to be paid by the customer to provide the requested infrastructure, including an uplift for the operation, repairs and maintenance of infrastructure assets
- A development plan identifying the land parcels intended to utilise the reserved capacity and the point of connection for the proposed infrastructure
- The reserved capacity and the term (period of time) for which it may be reserved

- The process by which subsequent connections may request a Connection Offer which utilises reserved capacity
- Confirmation that, in the absence of end connections, the Electricity (Connection Charges) Regulations do not apply

## 11. Next Steps

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### Policy roll out

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We are developing processes to enable the roll out of policy to accommodate the implementation of these changes. Policy will be implemented by 30<sup>th</sup> June 2019. We will ensure guidance documentation is made available and the WPD website is updated to reflect the changes and provide assistance for stakeholders who wish to obtain more information.

### Open Networks project

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The Open Networks project is an industry-leading initiative that is laying the foundations of the smart grid in GB and looking at how to make optimal network investment and operational decisions for the whole electricity network. One workstream has been tasked with improving end-to-end connections processes including management of applications, offers, interactivity and connections queues.

We are taking an active part in proceedings and shall remain open to the work being undertaken by various Product Teams. We understand there is a need to encourage increased deployment of customer flexibility to benefit the network and shall ensure that our updated policy does not inhibit this process.

### Stakeholder feedback

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Our decisions have tried to take account of stakeholder feedback. Whilst our policies are fully developed and we will not be consulting further, we still welcome any additional feedback concerning our updated policy and proposed implementation plans. Please address any comments or queries to:

[wpdconnectionpolmids@westernpower.co.uk](mailto:wpdconnectionpolmids@westernpower.co.uk)

## WPD Policy Decision Document: Consultation on Allocation and Reservation of Capacity

If you have any questions about this report:

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