WESTERN POWER DISTRIBUTION

Serving the Midlands, South West and Wales

Connection Customer Steering Group

Tuesday 12th June 2018

WESTERN POWER DISTRIBUTION

Serving the Midlands, South West and Wales

Agenda

10:10 – 10:45	Business and ICE update	Alison Sleightholm
10:45 – 11:00	Coffee	
11:00 – 11:30	Charging information	Simon Yeo
11:30 – 12:15	DSO plan particularly our proposals on flexibility moving from innovation to BAU	Graham Halladay
12:15 – 12:45	Lunch	
12:45 – 13:15	Specific updates in 3 areas	Richard Allcock

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CCSG Update

Alison Sleightholm
Resources & External Affairs Director

Tuesday 12th June 2018

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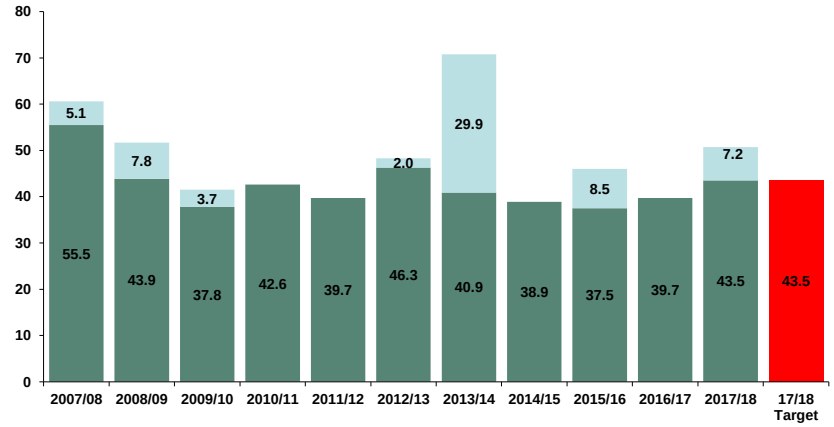
Topics for discussion

- **Business Update**
  - Operational
  - Regulation
  - Other

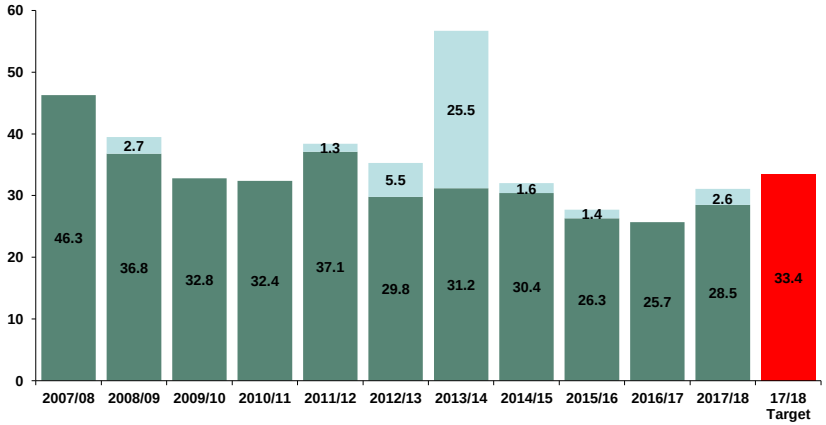
- **ICE update**
  - WPD's ICE looking forward and looking back report

Operational performance - CMLs

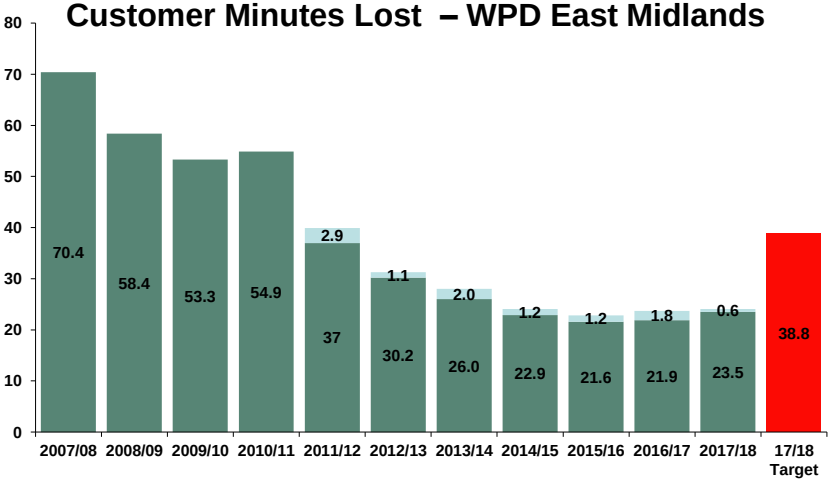
Customer Minutes Lost – WPD South West



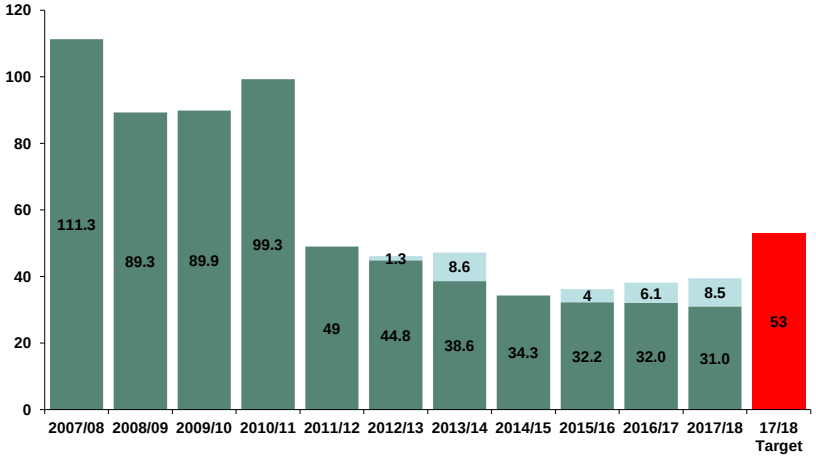
Customer Minutes Lost – WPD South Wales



Customer Minutes Lost – WPD East Midlands



Customer Minutes Lost – WPD West Midlands



Storm data only available from 2011/12 for Midlands

Excluded events

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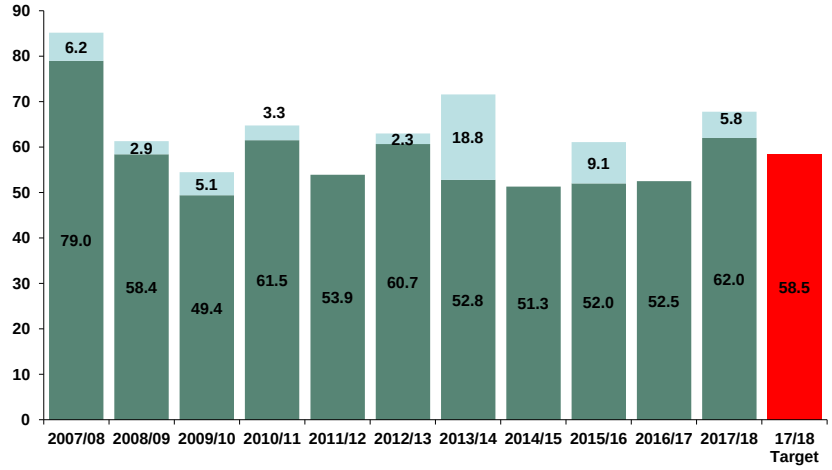
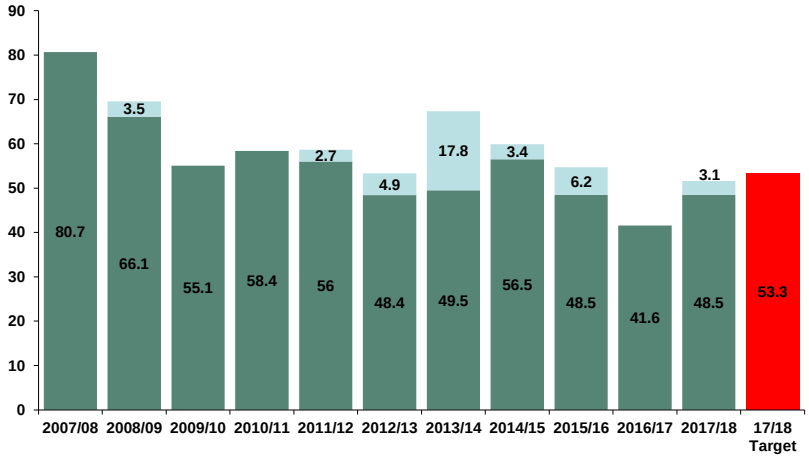
Operational performance - CIs

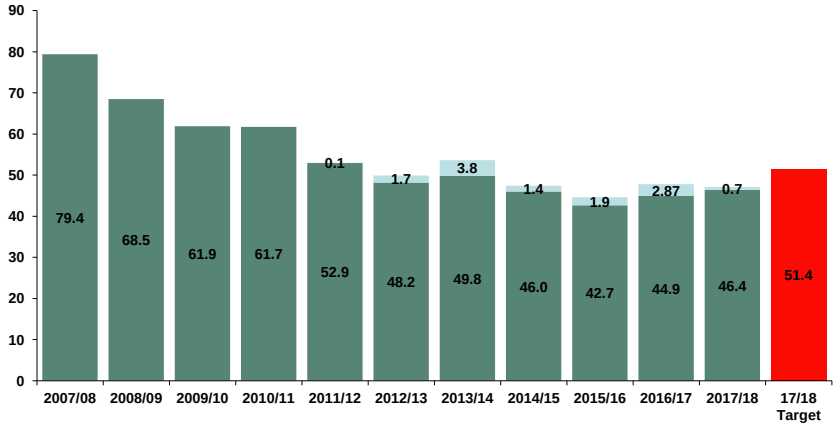
Customer Interruptions – WPD South West



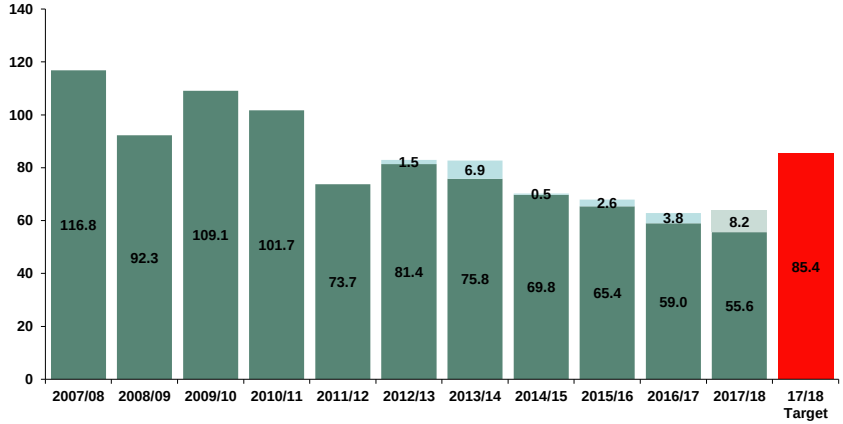
Customer Interruptions– WPD South Wales



Customer Interruptions – WPD East Midlands



Customer Interruptions – WPD West Midlands



Storm data only available from 2011/12 for Midlands

Excluded events

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IIS outturn 2017/18

	WPD South West		WPD South Wales		WPD East Midlands		WPD West Midlands	
	CI	CML	CI	CML	CI	CML	CI	CML
Ofgem IIS Target 2017/18	58.5	43.5	53.3	33.4	51.4	38.8	85.4	53.0
IIS Outturn 2017/18	62.0	42.8	48.5	28.5	46.4	23.5	55.6	31.0
% Out Performance	-6.0%	1.6%	9.0%	14.8%	9.6%	39.4%	34.8%	41.5%
IIS reward (£m)**	-0.41		2.79		16.59		19.84	

**Subject to Ofgem audit
Excludes Exceptional Events
At 2017/18 prices

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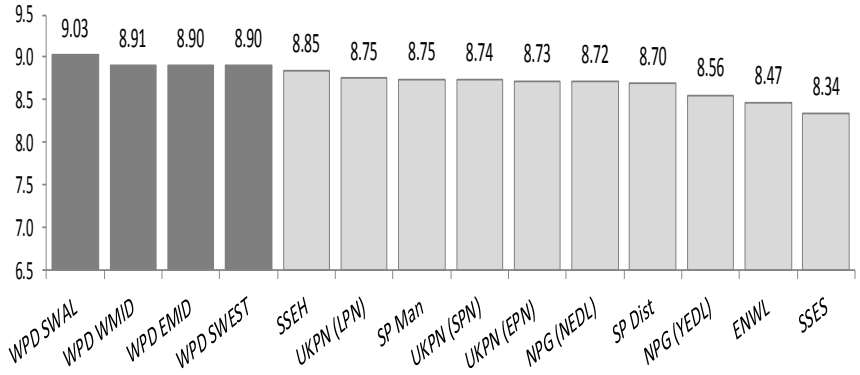
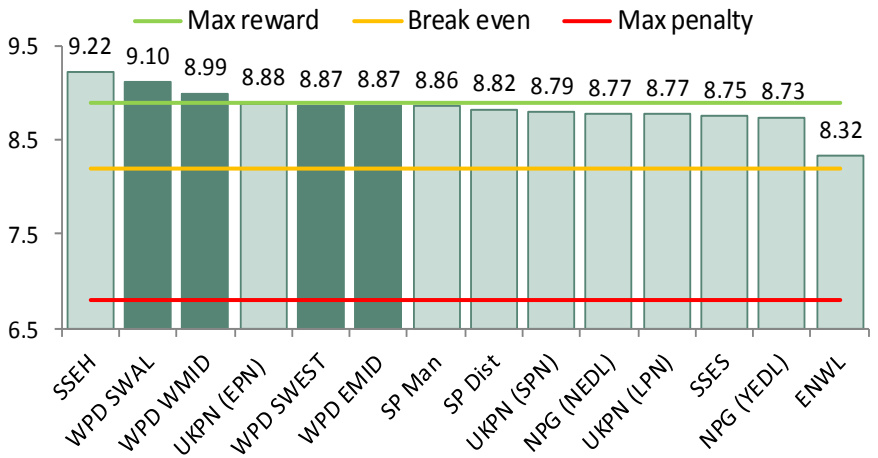
2017/18 Customer Service

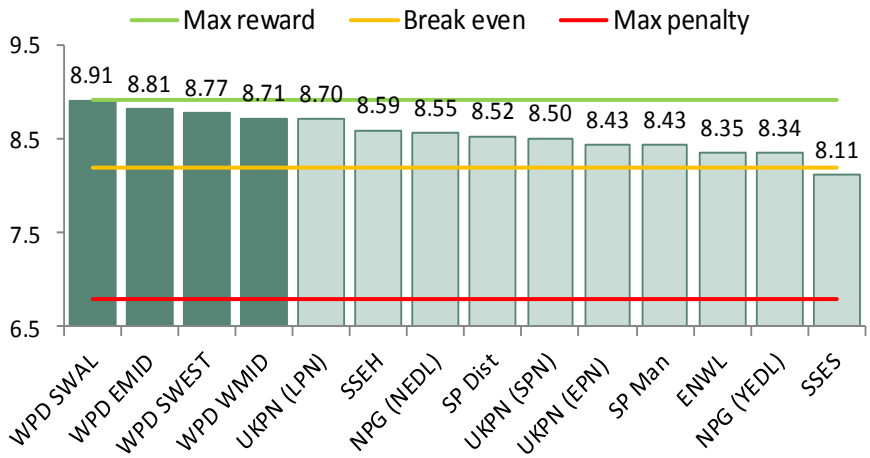
Overall Combined



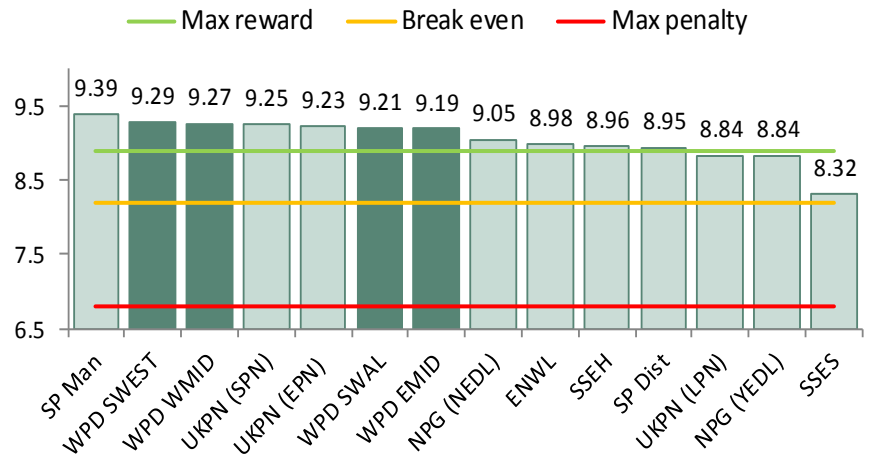
Interruptions



Connections



General Enquiries



Note: Ofgem's incentive only considers individual performance in the 3 categories. An overall score is generated for summary purposes, using Ofgem's weightings of : 30% Interruptions; 50% Connections; 20% General Enquiries

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2017/18 revenues

By licence

	Total reward/penalty		Breakdown			
	Amount	% of maximum	Power cuts*	*Including the following unsuccessful calls penalty	Connections	General Enquiries
WPD South Wales	**£2.13**	**100%**	**£0.67**	**-£0.02**	**£1.01**	**£0.45**
WPD East Midlands	**£4.04**	**90%**	**£1.23**	**-£0.02**	**£1.91**	**£0.90**
WPD South West	**£2.81**	**90%**	**£0.87**	**-£0.03**	**£1.27**	**£0.67**
WPD West Midlands	**£3.91**	**87%**	**£1.35**	**-£0.03**	**£1.67**	**£0.90**
UK Power Networks plc (LPN)	£2.64	78%	£0.80	-£0.01	£1.22	£0.62
SSE Hydro	£1.73	77%	£0.67	-£0.04	£0.61	£0.45
Northern Powergrid Northeast	£1.75	68%	£0.54	-£0.08	£0.65	£0.56
SP Distribution	£2.34	67%	£0.87	-£0.06	£0.80	£0.67
UK Power Networks plc (SPN)	£2.29	66%	£0.86	-£0.02	£0.76	£0.67
UK Power Networks plc (EPN)	£3.36	65%	£1.50	-£0.02	£0.85	£1.01
SP Manweb	£2.37	62%	£0.99	-£0.06	£0.60	£0.78
Northern Powergrid Yorkshire	£1.69	49%	£0.70	-£0.09	£0.35	£0.64
Electricity North West	£1.10	32%	£0.06	-£0.12	£0.37	£0.67
SSE Southern	£1.05	22%	£1.04	-£0.06	-£0.15	£0.16

By DNO group

WPD	**£12.89**	**91%**
UKPN	£8.29	69%
SP	£4.71	65%
NPG	£3.44	57%
SSE	£2.78	40%
ENW	£1.10	32%

In 2017/18 prices

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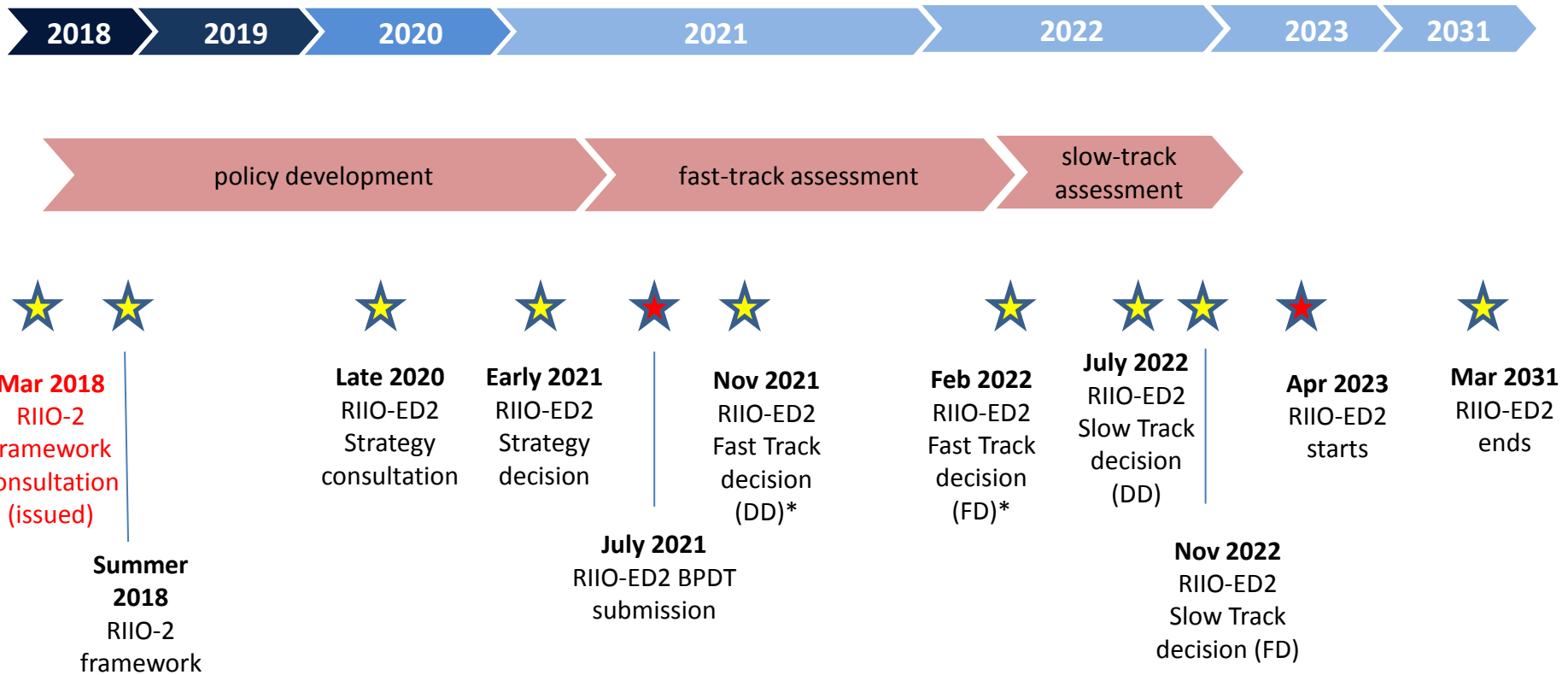
RIIO-ED2 Indicative Timetable



*if applicable

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RIIO - ED1 Update

- **Rail Electrification**
  - On 18th April WPD published our decision to voluntarily return £77m associated with the UK Government's cancellation of rail electrification schemes within our licence areas
  - Ofgem is currently amending our licence

- **RIIO - ED1 Mid Period Review – No MPR**
  - On 30th April Ofgem published it's decision not to proceed with a MPR for RIIO-ED1
  - The consultation process demonstrated that issues which had been identified by Ofgem within the current scope of MPR can be managed through other mechanisms within the price control

RIIO - 2 Update

- **Ofgem consultation on RIIO - 2 Framework Consultation closed on 2 May**
  - Ofgem received over 90 responses to the consultation
  - Ofgem will make their decision in summer 2018.
  - Decision expected before end of July (parliamentary recess starts 24 July)

- **RIIO - 2 framework decisions expected in July**
  - Length of price control – default position likely to be 5 years
  - Alignment of RIIO-2 price controls? No
    - New SO price control expected
    - Other sectors expected to stay as planned: T2/GD2 – 2021, ED2 - 2023
  - Enhanced customer engagement in business plan development
    - Each DNO will be required to set up a Customer Engagement Group, which will provide assurance that plans address the needs and preferences of local users
    - Each transmission company will set up a User Group to provide input and challenge to their business plans Ofgem will also have its own independent RIIO-2 Challenge Group
    - Where these groups disagree with a company's proposals, Ofgem proposes to hold open hearings to hear the parties' points of view

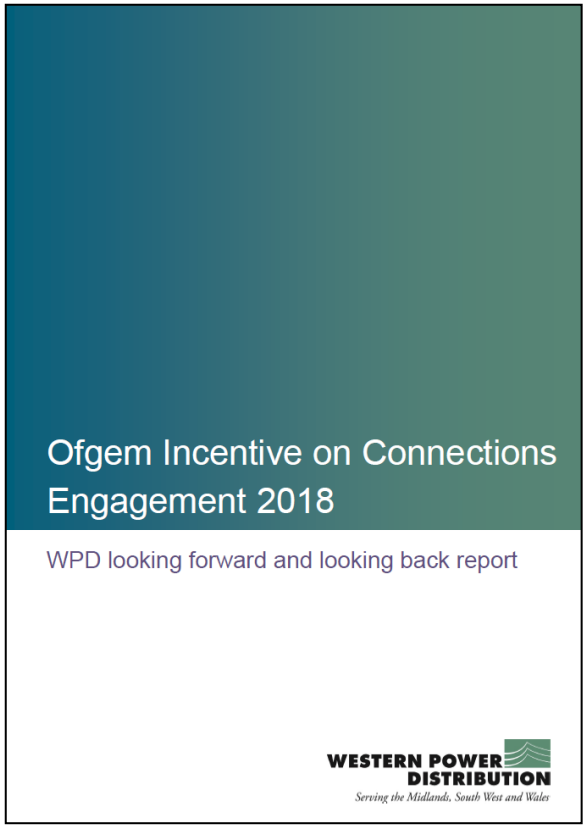
Political Issues

- **Brexit**
  - June is expected to be the most unpredictable month in the Brexit negotiations so far
    - EU Withdrawal Bill due to return to the House of Commons
    - EU Council meeting set to take place at the end of the month
  - International energy leaders have increased pressure on the UK Government to clarify its Brexit position

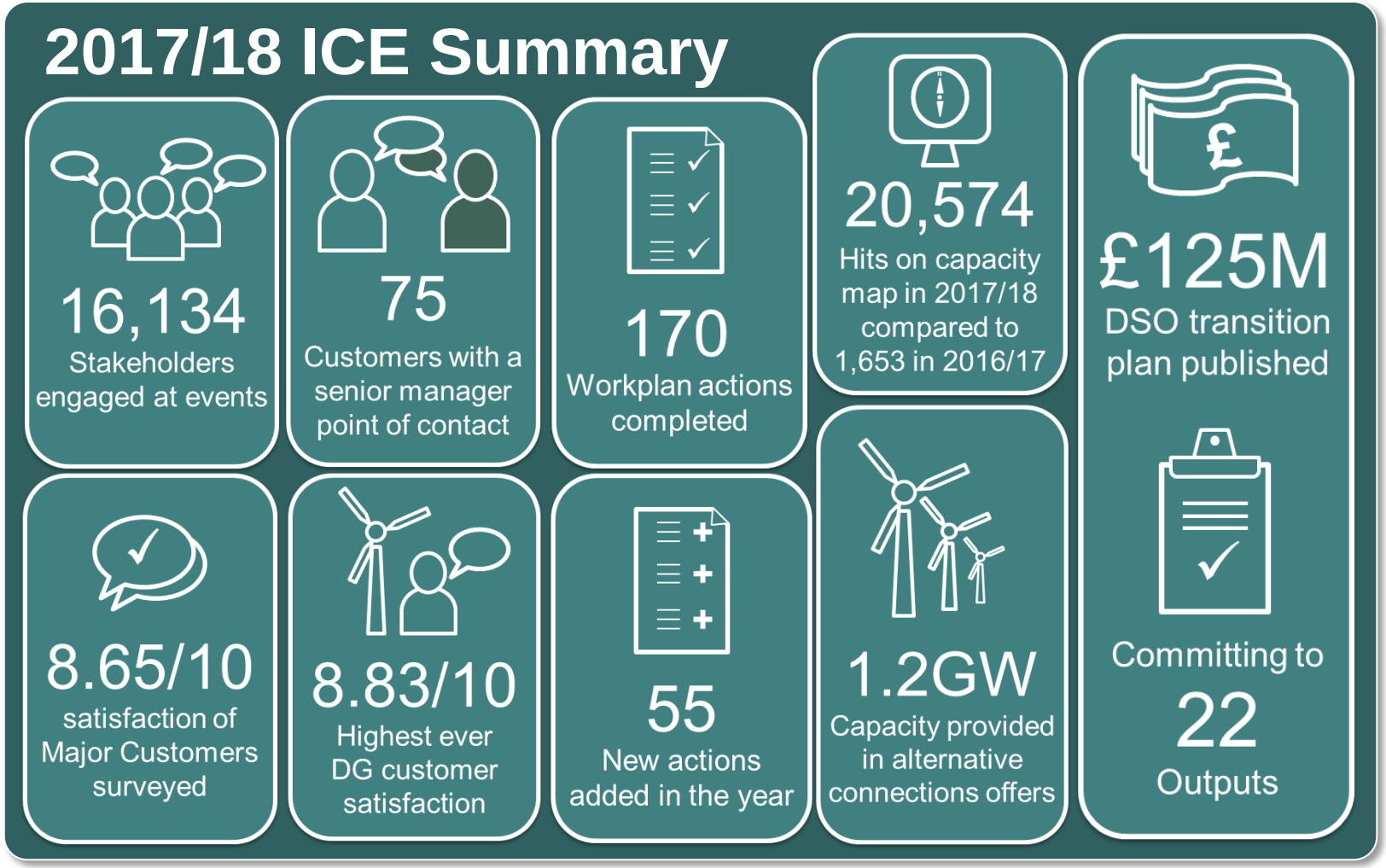
- **Infrastructure renationalisation?**
  - With the East Coast rail line temporarily returning to state control this month, public ownership of utilities remains high on the UK political agenda
  - Various options being considered across a wide range of sectors.
  - Some policy makers are favouring cooperative and partnership models as an alternative to full renationalisation

ICE Update

- WPD has submitted ICE looking forward and back reports to Ofgem and published on the WPD website which contains:
  - 2017/18 Looking back report setting out the engagement undertaken and details of initiatives delivered
  - 2018/19 Looking forward report setting out how we have developed our ICE workplan and our planned engagement activity for the year
  - Details of our stakeholder engagement strategy, approach and methods
  - Appendices with detailed 2017/18 plan and KPI updates, plus 2018/19 workplan



ICE Looking back on 2017/18



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ICE Looking back on 2017/18: addressing stakeholder priorities

Priority area	Example outputs	Impact
Availability of information	► Enhanced capacity map functionality and interface	Increased information helping to better inform customers' plans
Customer service	► Post acceptance improvements: new process for effective contact supported by new flow charts	customers kept better informed on their schemes ensuring a smoother connection delivery
Competition in connections	► A range of improvements across CIC services identified through engagement	Increased self-service options for CIC stakeholders
Transition to DSO	► First DNO to publish fully costed DSO transition strategy	Clear transparent strategy enabling stakeholders to understand our direction and plans

ICE Looking forward 2018/19: key priorities

- **Transition to DSO**
  - Tailored engagement, signpost flexibility services, collaborate with network and system operators
- **Availability of information**
  - Additional layers and detail on outages, constraints and capacity maps
- **Network capacity allocation and reservation**
  - New policies and procedures, strategic investment and forecasting.
- **Competition in connections**
  - Continue development and delivery of improvements

Overarching priorities:

- **Improving customer service** - which applies across our ICE initiatives
- **Improving consistency** - key consideration when developing and implementing initiatives

ICE Looking forward 2018/19: Workplan

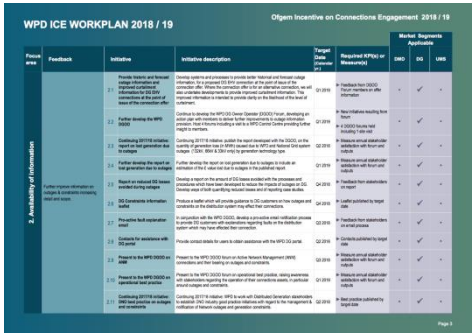
2018/19 ICE Workplan

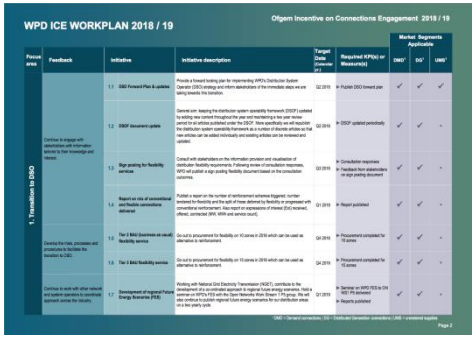
Our 2018/19 ICE workplan has been developed with stakeholders to deliver a range of initiatives addressing their priorities

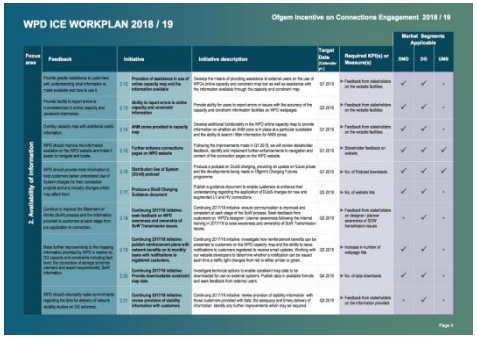
48 initiatives grouped into 7 focus areas

- Transition to DSO
- Availability of information
- Network capacity allocation and reservation
- Legals and consents
- CIC
- Community Energy
- Offers and agreements

Overall the plan is simpler – no sub action and incorporated KPIs







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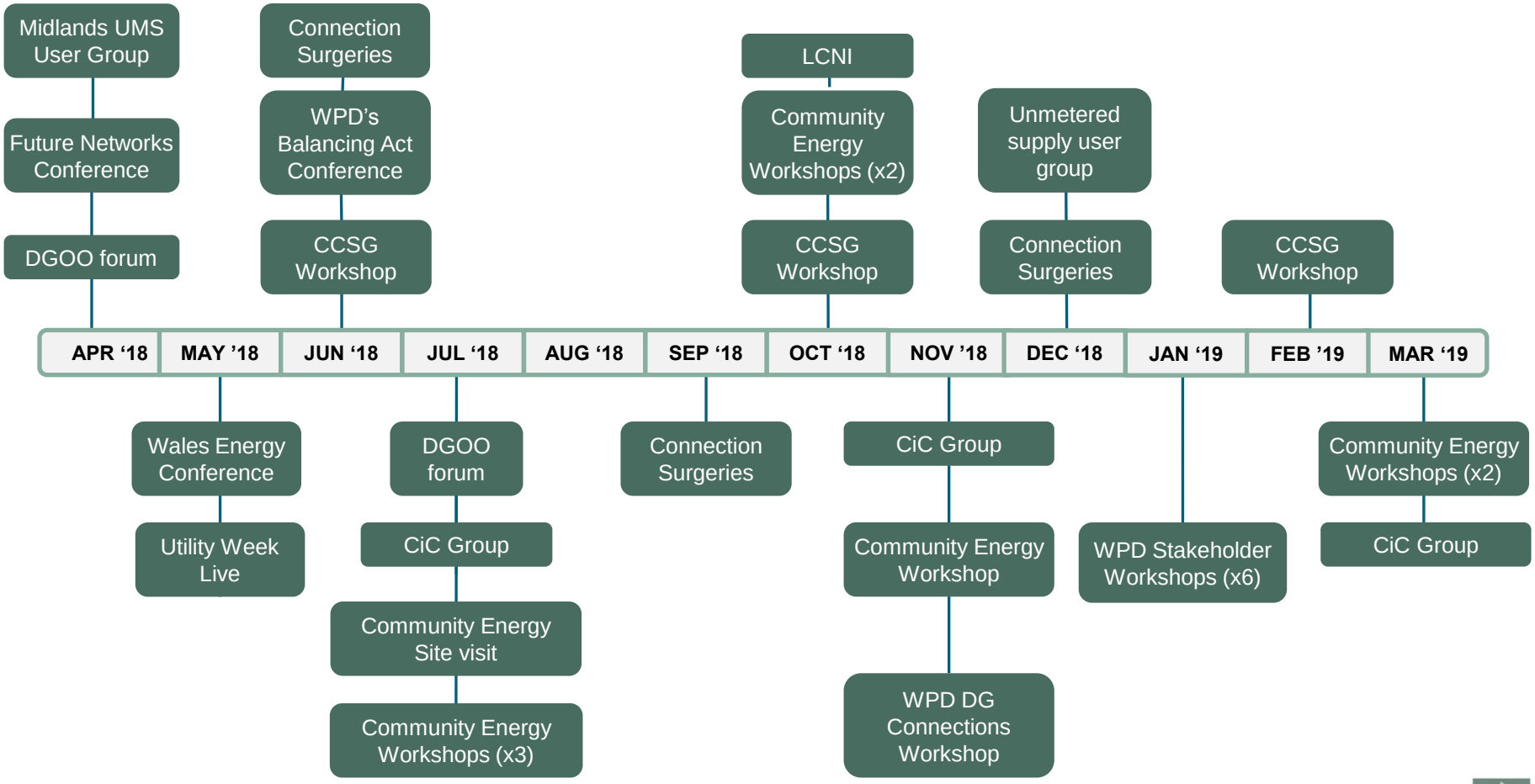
Engagement Plan 2018/19

We have an extensive range of engagement activity planned throughout 2018/19. Some of the key activities we have planned are set out below. As we progress through the year the timetable will expand as new events are planned and engagement requirements arise



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Other DNOs' ICE plans

Comparison of looking forward plans

- Similar numbers of actions and formats in each DNOs' plans
- Key themes shared across all:
  - DSO transition and flexibility
  - Improving availability of information
  - Improving communication during connections process
  - Reducing timescales in connections processes
  - Increasing topic specific engagement

We are reviewing other DNOs planned activities to identify where WPD may need to undertake similar initiatives

Are there any activities you have seen which you think WPD should be looking at?

ICE: Next Steps

- End of June: Ofgem will publish a consultation on all DNO ICE submissions seeking stakeholder feedback
- August: Following review of responses and their own assessment, Ofgem will issue a second consultation with a minded-to position on whether DNOs have successfully met the ICE criteria (last year's 'penalty consultation)
- October: penalty notice issued to affected DNOs allowing for final representations
- November: penalty decision where applicable

WPD will publish our quarterly ICE update next month with the status of each initiative

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Coffee

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Distribution Charging Update

Simon Yeo

Income Manager

Tuesday 12th June 2018

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Distribution Charging Update
(Simon Yeo)

- Income team – what we do
- DUoS pricing background
- Recent changes to charging methodologies
- New developments
- Availability of Information

Income Team- background

- 5 people based in Bristol and Pegasus
- Areas of work we cover
  - DUoS pricing
  - Modelling regulatory entitlement (allowed income)
  - Forecasting unit sales
  - Forecasting income
  - Reporting on actual income both for month end accounts and regulatory returns
  - Line loss submission to Elexon

DUoS Price Setting – key points

- Distribution charging methodologies are common to all DNOs
- Approved Ofgem methods are contained within DCUSA (Distribution Connection and Use of System agreement) – an industry code and published
- The methodologies are under open governance and so changes to the methods can be proposed – process of consultation, impact assessment, voting and final approval (or not) by Ofgem
- Prices are set with a 15 month time lag – for example April 2020 prices will be set in December 2018 – forecasting uncertainty

DUoS Price Setting – key points pt 2

- The following table summarises the two approved methodologies

CDCM (Common Distribution Charging Methodology)	EDCM (EHV Distribution Charging Methodology)
Introduced April 2010	Introduced April 2012 for demand and April 2013 for generation
LV and HV properties	EHV & HV substations properties
Produces average generic prices – non locational	Produces site specific locational charges
Export credits on kWh for all generators	Export credits for network supporting output – typically non-intermittent generation
Schedule 16 of DCUSA	Schedule 17 and 18 of DCUSA
Approx. 7 million customers across WPD	Approx. 850 customers across WPD

Revenue split forecast for 2018-19

CDCM	South West	South Wales	Mid East	Mid West	Total (£)
Domestic Unrestricted	140,488,748	103,714,874	130,223,181	183,584,367	558,011,170
Domestic Two Rate	31,966,151	7,455,960	73,263,385	31,414,645	144,100,141
Domestic Off Peak (related MPAN)	650,789	34,705	761,076	254,694	1,701,264
Small Non Domestic Unrestricted	32,452,457	21,091,798	24,124,020	34,621,901	112,290,176
Small Non Domestic Two Rate	14,021,509	7,181,783	36,968,448	14,530,182	72,701,922
Small Non Domestic Off Peak (related MPAN)	246,634	23,877	25,994	51,931	348,436
LV Network Domestic	6				6
LV Network Non-Domestic Non-CT	10,284,561	4,325,078	2,890,670	11,107,541	28,607,850
LV HH Metered	35,317,178	40,757,083	77,681,132	65,339,933	219,095,326
LV Sub HH Metered	18,808,159	1,339,743	4,061,158	3,952,486	28,161,546
HV HH Metered	50,468,017	42,289,121	123,144,703	143,698,293	359,600,134
NHH UMS category A	304,048	93,421	1,019,019	1,464,458	2,880,946
NHH UMS category B	263,665	261,032	936,358	312,598	1,773,653
NHH UMS category C	41,958	13,308	13,237	36,665	105,168
NHH UMS category D			193,722	144,659	338,381
LV UMS (Pseudo HH Metered)	3,969,747	4,212,959	5,719,338	7,340,403	21,242,447
LV Generation NHH or Aggregate HH	(23,300)	(17,644)	(12,554)	(7,790)	(61,288)
LV Sub Generation NHH	(579)			(678)	(1257)
LV Generation Intermittent	(545,209)	(219,739)	(301,157)	(189,952)	(1,256,057)
LV Generation Non-Intermittent	(16,302)	(16,723)	(118,119)	(77,523)	(228,667)
LV Sub Generation Intermittent	(79,969)	(1,703)	(15,439)	(7,463)	(104,574)
LV Sub Generation Non-Intermittent	(26,119)		(37,031)	(54,176)	(117,326)
HV Generation Intermittent	(1,593,807)	(912,223)	(1,184,985)	(335,537)	(4,026,552)
HV Generation Non-Intermittent	(1,164,311)	(1,053,324)	(3,557,904)	(1,893,892)	(7,669,431)
					1,537,493,414
EDCM					38,261,561
TOTAL					1,575,754,975

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Recent Changes CDCM

- DCP228 – Scaling
  - Implemented for April 18; a significant change
  - Previously most of the scaling applied to the unit rate 1
  - From April 18 the scaling is being spread across all unit rates
- DCP161 – Excess Capacity Charges
  - Implemented for April 18
  - Previously the excess capacity charge and the capacity charge were at the same rate
  - From April 18 the excess capacity charges will be at a higher rate than the capacity charges
- DCP179/ P272 – Movement Of LV/ LV Sub and HV Medium To Half Hourly
  - Most of the movement complete
  - Chargeable Capacities for all sites moving to LV/ LV Sub and HV Half Hourly

Possible Future Changes CDCM/EDCM

- DCP268 Move to Half Hourly tariffs and red, amber green
  - all NHH tariffs would have a R A G unit tariff structure
  - Currently with Ofgem for decision. April 2020 implementation date at the earliest
- Re-built CDCM and EDCM spreadsheet models from new service provider. These are more user friendly in breaking down the steps in the calculation.

National Charging Projects

- There are 2 main projects relating to Charging currently underway
  1. Ofgem led Targeted Charging review under Significant Code Review (SCR).
     - This is looking at how residual charges are applied
     - Ofgem Consultation expected H2 2018 and decision end of year
     - Expected to be implemented for April 2020

  2. Ofgem led Charging Futures Forum
     - Ofgem has set up a new structure to facilitate co-ordination of changes to charging arrangements, called the Charging Futures Forum (CFF). The CFF has the aim of bringing together the various ongoing and emerging electricity network charging reviews into a joined-up work programme
     - Quarterly meeting – first one in Nov 2017
     - Chaired by Ofgem
     - National Grid are lead secretariat
     - Described as “The primary place for users of the electricity network to learn, contribute and shape the future of charging arrangements”

Charging Futures

- Ofgem published “reform of electricity network access and forward-looking charges: a working paper” – in summer 2017
- Access can be seen as requiring two distinct features;
  - connection from a users location to the wider network
  - then allocated capacity on the wider network
- Forward looking charges;
  - Aims to reflect networks users’ incremental impact on network costs including current and future investment and reinforcement
- Two task forces have been set up under the CFF – one access and one forward looking charges
- There has been a substantial work load with tight deadlines and many participants
- Conclusions paper from the 2 task forces published May 2018

Charging Futures – Next steps

- Task force conclusions paper;
  - Many options, which include possibilities such as …….
  - Greater alignment of charging arrangements at T and D
  - Shallow connection boundary
  - Locational Transmission and EHV models with HV/LV taking account of specific locational issues
  - User commitment (liability for stranded assets)
  - Elements of trading of access rights
  - Published Task Forces conclusions paper can be found on chargingfutures.com
- Next Steps: Timelines
  - Ofgem consultation summer 2018
  - Ofgem decision on reform programme end 2018/early 2019

Information – what and where?

- Information we currently provide;
  - Charging statements and associated spreadsheets
  - Annual review packs – WPD website
  - Forecast cost information – produces forecast price changes going forward across ED1. On DCUSA website.
- Webinar – downloadable from our website
- Future – podcasts
- What else would you like to see/hear?

Questions?

Contact: wpdpricing@westernpower.co.uk

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Update on DSO transition

Graham Halladay
Network Services Manager DSO

Tuesday 12th June 2018

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Agenda

- DNO DSO transition
- Open Networks
- Move towards procuring flexible services
  - Project Entire
  - Business as usual
  - Sign Posting
- Flexibility and New Connection charging
- Regional Development Plan

DNO DSO transition


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1. Foreword 2

The way we generate, distribute and consume electricity is changing due to advances in technology affecting the entire energy system. Generation is becoming cleaner and more distributed. Networks are becoming smarter and more active. Customers are beginning to benefit from an increasingly efficient and flexible system.

WPD recognises that the change from a Distribution Network Operator (DNO) to a Distribution System Operator (DSO) is essential to driving performance and efficiency from our network and to ensure it can meet the future energy demands of all our customers. The enhanced capabilities we are developing will also give our customers the freedom to access other opportunities within the developing energy system.

WPD views the planning and operation of a more active regional distribution network as a natural extension of its current role and believes it is uniquely placed to lead the management of an efficient and cost effective electricity system at a local level. With DSOs managing the co-ordination of transmission and distribution services at a local level, it enables the GB System Operator (GBSO) to concentrate on balancing the national network using un-conflicted services competitively made available.

There is currently no singular set view of what the future energy system will look like, and the Government has put the onus on industry to come up with the answer.

In this document, we set out our proposed actions to becoming a full DSO and consult our stakeholders upon the strategic decisions we think will provide the most benefit to our customers as we move to a smarter system.

We will review our proposed actions and workplan in line with views received from our stakeholders to this consultation and following the conclusions of the BEIS/Ofgem Smart, Flexible Energy System call for evidence.

Phil Swift
Operations Director,
Western Power Distribution

“

OUR INVESTMENT OF £125M TO TRANSITION TO A DSO WILL SUPPORT THE CUSTOMER ADOPTION OF ELECTRIC CARS, LOW CARBON HEATING AND FOR FURTHER DISTRIBUTED GENERATION. DURING ED1 WE ARE INVESTING £600M IN REINFORCING THE NETWORK.

- In our DSO transition stakeholder programme we have set out a £125m plan to move all of WPD’s four licence areas to a DSO model of operation
- We sought customer and stakeholder views on our proposed approach
- We are the only DNO to produce a fully costed plan
- Update following stakeholder feedback issued December 2017
- 2018 Forward Plan update to be published June

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ENA open networks project

WPD lead the ENA's Open Networks project

- Four main work streams:
  - Workstream 1: Distribution/Transmission interface
  - Workstream 2: Customer journey
  - Workstream 3: DNO to DSO
  - Workstream 4: Network charging
- First year end report published at the end of December
- Newsletter due June 2018
- Stakeholder input essential
  - http://www.energynetworks.org/electricity/futures/open-networks-project/open-networks-project-overview/

ENA open networks project key areas of focus for 2018

Workstream 1: Distribution/Transmission interface

- Develop whole system investment and DER (Distributed Energy Resources) service procurement models and processes

Workstream 2: Customer journey

- Establishing good practice in the connections process, identifying levels of constraint and offering flexibility, particularly the information customers will need to participate in new markets and the interfaces

Workstream 3: DNO to DSO

  - The creation of markets for flexibility and consultation on different market models. Identifying common elements that can be implemented immediately

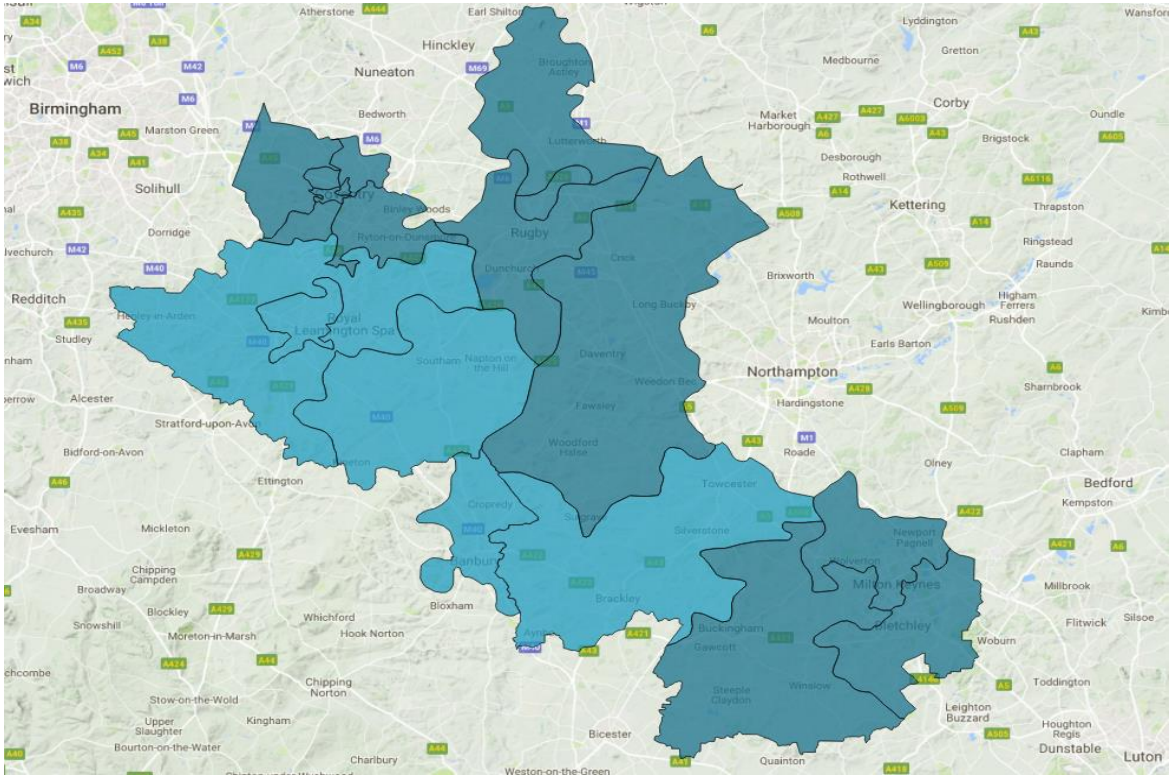
Workstream 4: Network charging

  - Support Ofgem's efforts to overhaul the charging arrangements

Move towards procuring flexible services

- Project ENTIRE using Our ‘Flexible Power’ product is being used to address some general reinforcement needs in our East Midlands licence area

- Along the M1-M40 corridor
- 14 Constraint Management Zones
- EoI completed
- Procurement started
- Contracts issued and signed
- Dispatch winter 2018



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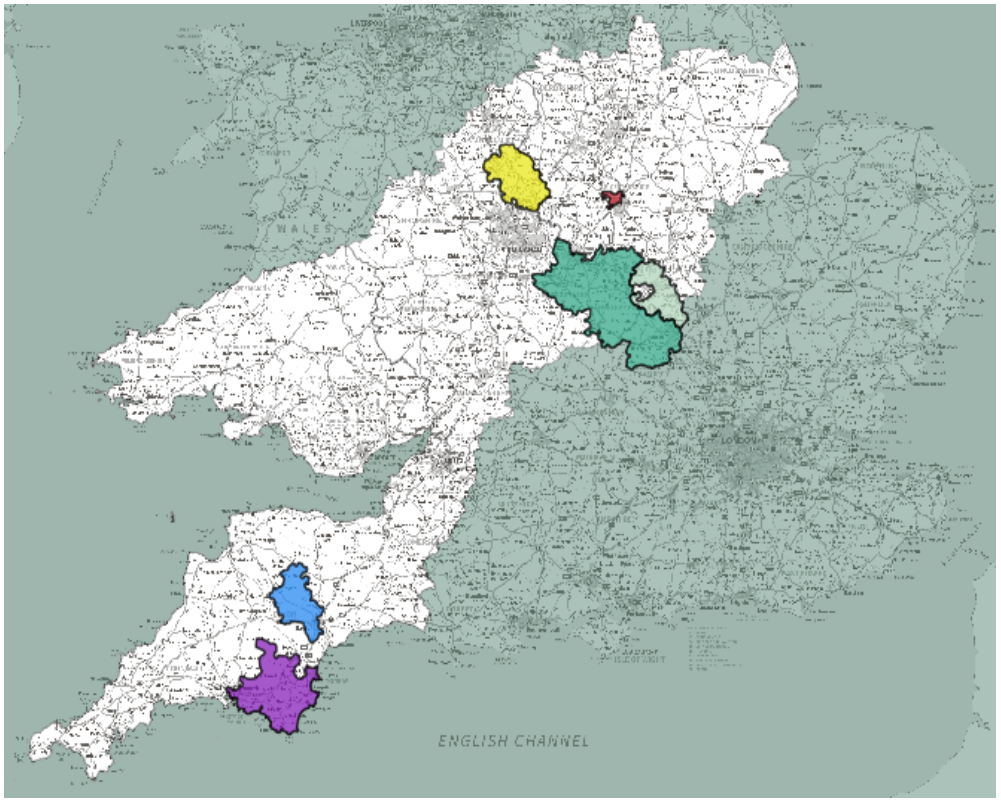
Move towards procuring flexible services

- Business as Usual expression of interest being issued in June 2018 for 5 constraints across18 zones

- Exeter
- Plymouth
- Rugeley
- Northampton
- Leicester
- Dispatch Winter 2018 & Summer 2019



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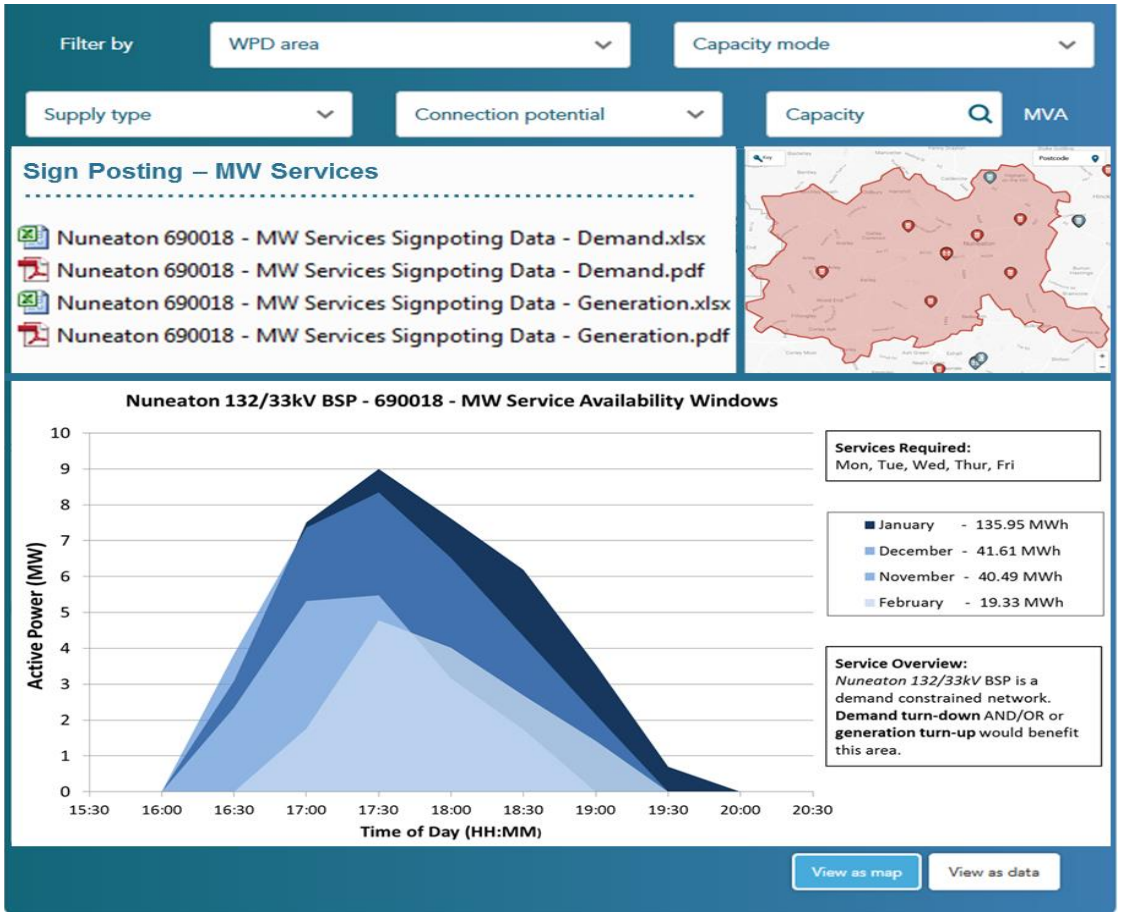
Move towards procuring flexible services

- Sign Posting out to 2020
  - To facilitate neutral markets for flexibility service.
  - Provide enough information so that flexibility services and markets can naturally develop.
  - Investigate the potential for flexibility services to provide an alternative to conventional reinforcement.
  - Development an understanding about the level and type of flexibility services may be available to WPD.

Move towards procuring flexible services

- Sign posting out to 2020

- Consultation issued
- Responses by 18th May 2018
- Sign posting document to be launched June 2018



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Flexibility and New Connection charging

- Our ‘Flexible Power’ product is already being used to address some general reinforcement needs
- We intend to extend the use of ‘Flexible Power’ to allow flexibility options to be assessed as part of the new connections process
- Significant amounts of reinforcement relate to new connection where the customer contributes to the cost of reinforcement under the connection charge methodology
- If a flexible solution can deliver the required capacity at lower cost, or the customer needs the capacity quicker than the traditional reinforcement can deliver, how should we charge the customer and what actions are needed to deliver this

Flexibility and New Connection charging

- Some options

1. Charge customer as though traditional approach of reinforcement has been used
2. Regular (annual or monthly) charge to customer reflecting the costs incurred in flexibility procurement
3. Upfront charge to customer reflecting an NPV assessment of the flexibility that will need to be procured

1. Charge customer as though traditional approach of reinforcement has been used

- Advantages
  - No change to current charging arrangements
  - Should flexibility be unavailable or become unavailable funding for traditional approach in place
- Disadvantages
  - Potential conflict with the Act as this requires *'…. may require any expenses reasonably incurred in providing it to be defrayed by the person requiring the connection to such extent as is reasonable in all the circumstances'*
  - Whilst it may give a timing benefit to the connecting customer there is no financial benefit to them

2. Regular (annual or monthly) charge to customer reflecting the costs incurred in flexibility procured

- Advantages
  - Cost reflective
  - Would only apply in areas where flexibility available
  - Customer would only be charged for service when they are required
- Disadvantages
  - Hard for customer to forecast future costs - risk with customer
  - Difficult for a developer to pass these future liabilities onto subsequent owners e.g. a housing developer to home owner
  - Interaction with subsequent connections and allocation of flexibility costs between customers likely to be complex

3. Upfront charge to customer reflecting an NPV assessment of the flexibility needed

- Advantages
  - Customer knows liability up front
  - Cost reflective (in terms of cost assumptions at time of offer)
- Disadvantages
  - Acceptability over recovery timescale
  - Risk of over/under recovery sits with DSO
  - Requires a long term forward forecast of future loading/capacity available and long term forecast of cost of flexibility acceptable to customer/Ofgem
  - Risk of having to do traditional reinforcement if flexibility becomes unavailable or unsuitable in future (DSO or customer risk?)

Flexibility and New Connection charging

- Conclusions/proposed way forward

  - Option 2 & 3 appears to give a logical way forward
  - Potential approach to implementation:
    - Develop option 2 & 3 fully (i.e. full method terms/conditions, success criteria)
    - Seek to feed into Open Networks project as either a new product or incorporation into an existing product (probably new product)
    - Start a roll out with consultation to follow once experience gained
  - or
    - Consultation with stakeholder on options and proposed approach followed by roll out

WPD/NG Regional Development Programme

- RDPs were set up to provide detailed analysis of areas of the network which have large amounts of Distributed Energy Resource (DER) and known transmission / distribution network issues in accommodating that DER.
- The South West peninsular was chosen due to the abundance of potential renewable resources and the recognised limitations in network export capacity across both transmission and distribution networks

Implementation of ‘Deep Connect and Manage’

- Implementation of a deep connect and manage process may help ensure that potential transmission constraints will not be a barrier to the connection of more renewable generation
- Via the connection agreement with WPD:
  - Proposed implementation seeks ‘backstop’ constraint prices from new DG connections (>1MW) that NGET can use to constrain DG should they reach operational limits
  - All existing DG (>1MW) will be offered the opportunity to do the same
- Included in offers from July 2018
- DER compensated for constraints due to NGET network limitations

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Lunch

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Connection Policy Update

Richard Allcock

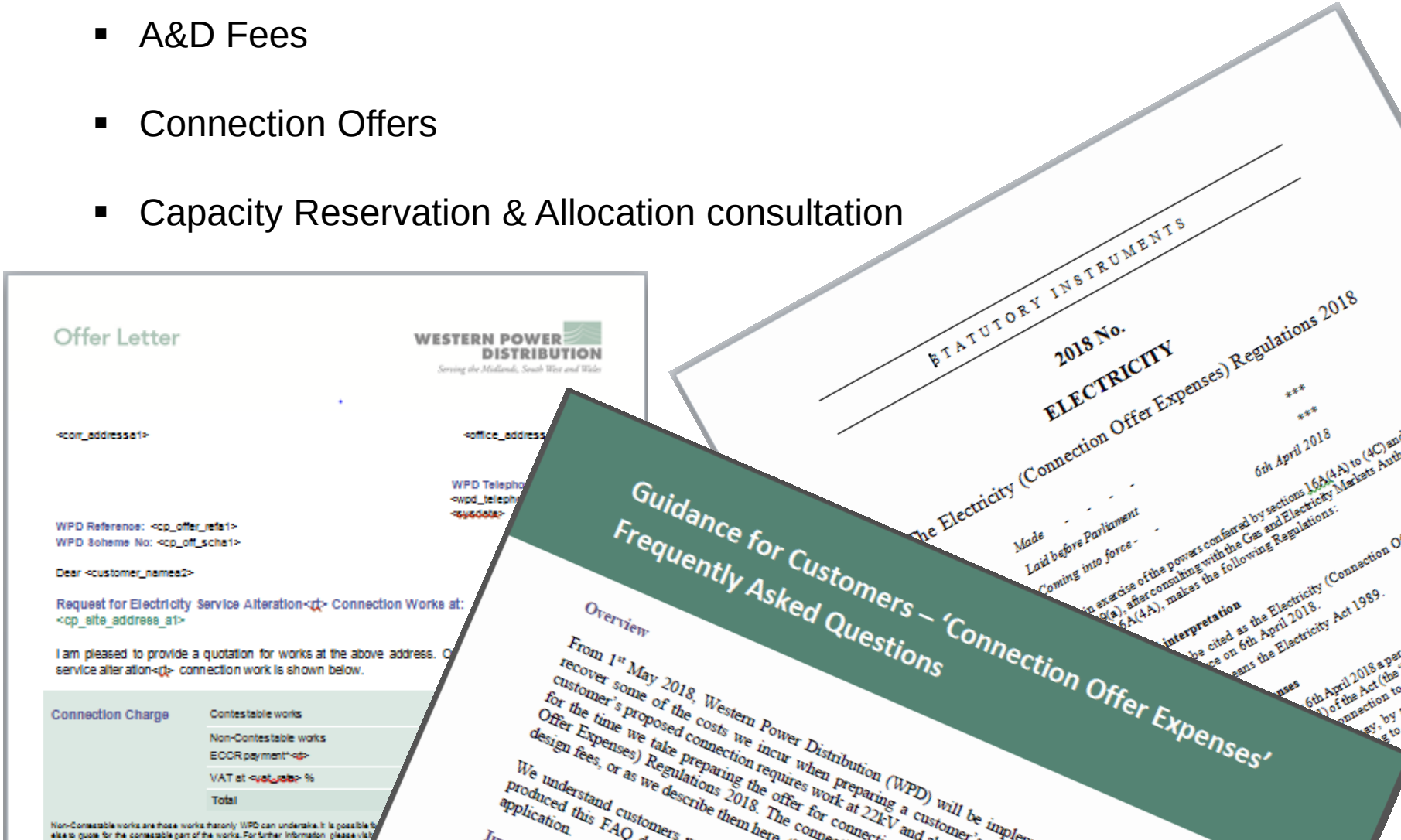
Connection Policy Engineer

12th June 2018

Connection Policy Update – June 2018

Agenda

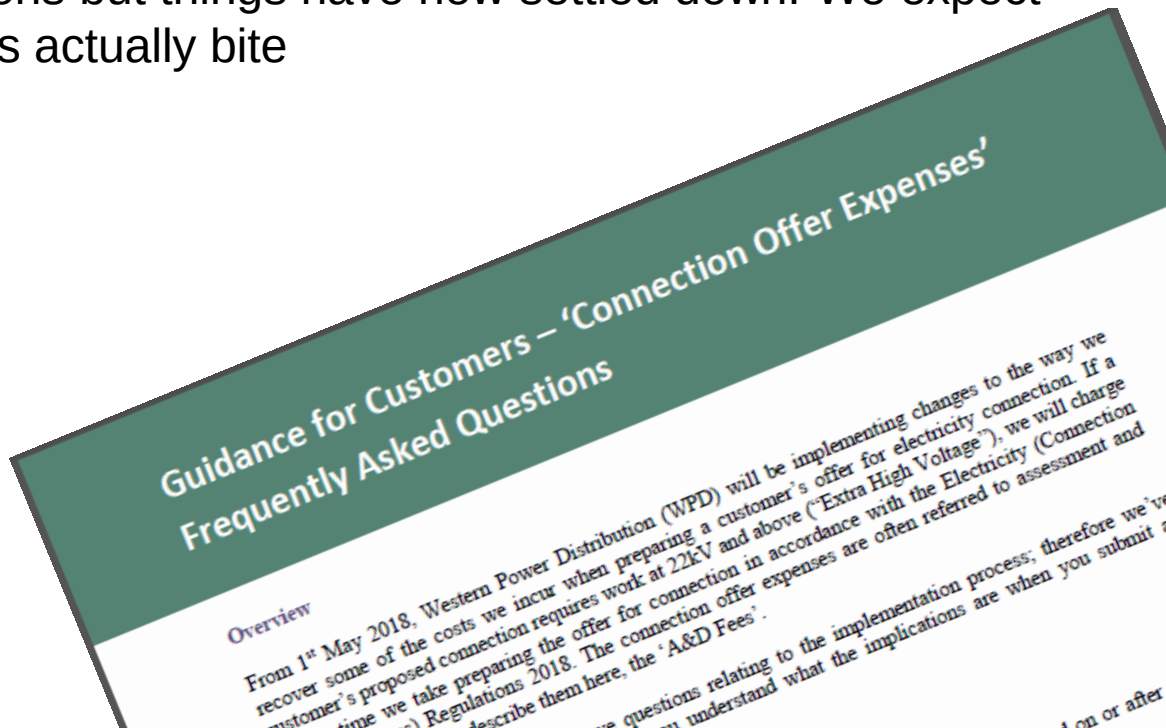
- A&D Fees
- Connection Offers
- Capacity Reservation & Allocation consultation



Application of Assessment & Design Fees

WPDs approach

- WPD implemented the Regulations with effect 1st May 2018
- At this stage we have applied the Regulations only to demand and generation connections requiring EHV (22kV+) works
- High initial flow of questions but things have now settled down. We expect more when the A&D Fees actually bite
- FAQs document issued to help customers understand how we apply the Regulations


Guidance for Customers – 'Connection Offer Expenses'
Frequently Asked Questions

Overview

From 1st May 2018, Western Power Distribution (WPD) will be implementing changes to the way we recover some of the costs we incur when preparing a customer's offer for electricity connection. If a customer's proposed connection requires work at 22kV and above ("Extra High Voltage"), we will charge time we take preparing the offer for connection in accordance with the Electricity (Connection Regulations 2018. The connection offer expenses are often referred to assessment and describe them here, the 'A&D Fees'.

questions relating to the implementation process; therefore we've understand what the implications are when you submit

Application of Assessment & Design Fees

Requirement to review

- There is a requirement under the Regulations for the Secretary of State to carry out a review of the regulatory provision and to publish a report setting out the conclusions of the review
- We are aware that there is some concern amongst customers that the DNOs are not attributing the A&D Fees uniformly
- WPD is monitoring the impact of the effect of implementing the Regulations
- We will keep this under review and listen to customer feedback

Application of Assessment & Design Fees

Frequently Asked Questions

- We have developed an FAQ document to help applicants understand how the Regulations will apply to them when dealing with WPD; examples include:

If WPD receives multiple applications for the same premises will you charge multiple A&D Fees?

If we receive several applications for the same site, typically where a number of agents such as independent connection providers tender for the same project, we will make an assessment as to the level of A&D Fees to be applied. The first applicant will be required to pay the full A&D Fee. Subsequent applications will be assessed based on the applicant's request. If the connection requirements differ in any significant way and a further investigation is required we will charge the full A&D Fee. If no further significant assessment is required, a reduced fee will be applied based on the costs reasonably incurred in preparing the Connection Offer.

If I withdraw my application will I still be charged the A&D Fee?

It depends on when you notify us that you wish to withdraw your application. We will implement a 10 working day 'cooling off' period from the point that we first notify you that the A&D Fee will apply. If you inform us within that period, we will not charge you. If you inform us at any time after the 10 day cooling off period we may charge you according to how much time we have spent assessing the application.

Pre-Connection Offer amendment requests

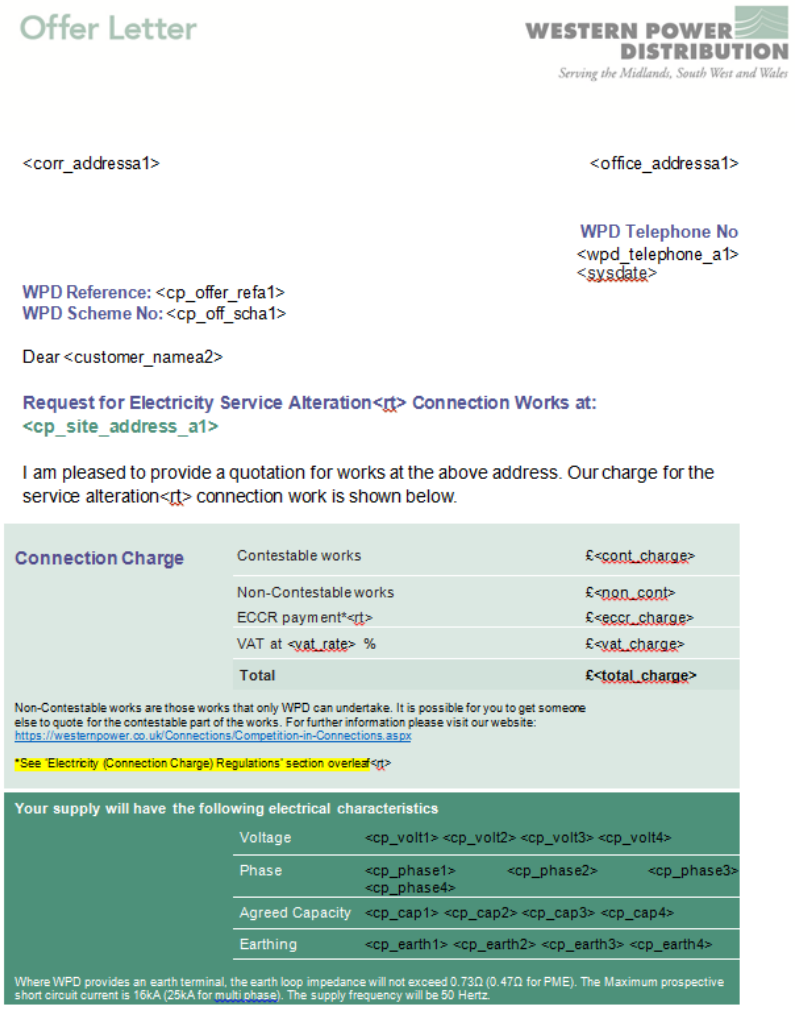
If reinforcement works make my scheme unviable and I wish to utilise a lower capacity, will I need to re-apply and will you charge an additional A&D Fee?

It depends on the timing of your request but we will inform you once we identify reinforcement works are triggered and then discuss the options with you. If you decide a lower capacity still works we can provide a Connection Offer based on your revised requirements. Depending on the timing of your request and the amount of further assessment required we may charge you for any additional cost we reasonably incur.

Connection Offer Development

Smaller connection Offers

- First phase of Connection Offer development is complete
- Simple Service Quotations (SSQ) for new connections, alterations and disconnections now revamped
- Presentational style has been improved making it easier to source important information



Offer Letter

WESTERN POWER DISTRIBUTION
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<corr_addressa1>

<office_addressa1>

WPD Telephone No
<wpd_telephone_a1>
<sysdate>

WPD Reference: <cp_offer_refa1>
WPD Scheme No: <cp_off_scha1>

Dear <customer_namea2>

Request for Electricity Service Alteration<rt> Connection Works at:
<cp_site_address_a1>

I am pleased to provide a quotation for works at the above address. Our charge for the service alteration<rt> connection work is shown below.

Connection Charge		
	Contestable works	£<cont_charge>
	Non-Contestable works	£<non_cont>
	ECCR payment*<rt>	£<eccr_charge>
	VAT at <vat_rate> %	£<vat_charge>
	Total	**£<total_charge>**

Non-Contestable works are those works that only WPD can undertake. It is possible for you to get someone else to quote for the contestable part of the works. For further information please visit our website: https://westernpower.co.uk/Connections/Competition-in-Connections.aspx

*See 'Electricity (Connection Charge) Regulations' section overleaf<rt>

Your supply will have the following electrical characteristics

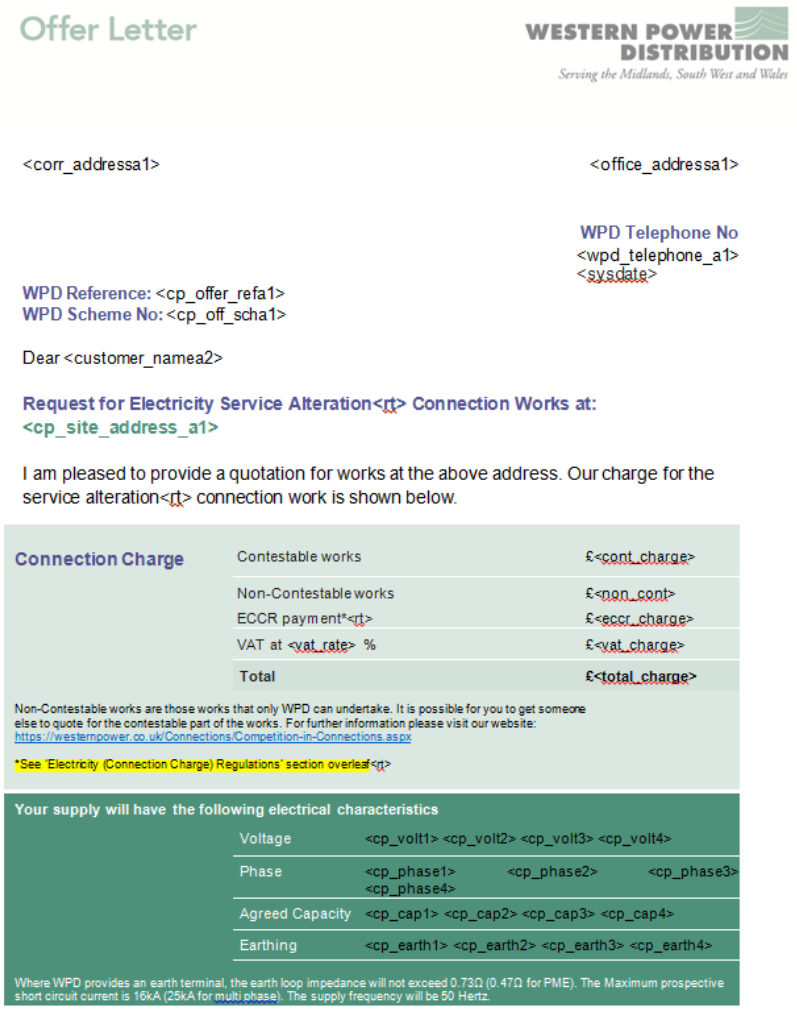
Voltage	<cp_volt1> <cp_volt2> <cp_volt3> <cp_volt4>
Phase	<cp_phase1> <cp_phase2> <cp_phase3> <cp_phase4>
Agreed Capacity	<cp_cap1> <cp_cap2> <cp_cap3> <cp_cap4>
Earthing	<cp_earth1> <cp_earth2> <cp_earth3> <cp_earth4>

Where WPD provides an earth terminal, the earth loop impedance will not exceed 0.73Ω (0.47Ω for PME). The Maximum prospective short circuit current is 16kA (25kA for multi phase). The supply frequency will be 50 Hertz.

Connection Offer Development

Longer form Connection Offer Development

- Second phase of development is embracing longer form demand and generation Connection Offers
- Will be available by the end of June
- Similar presentational style to SSQ has been utilised to ensure consistent approach



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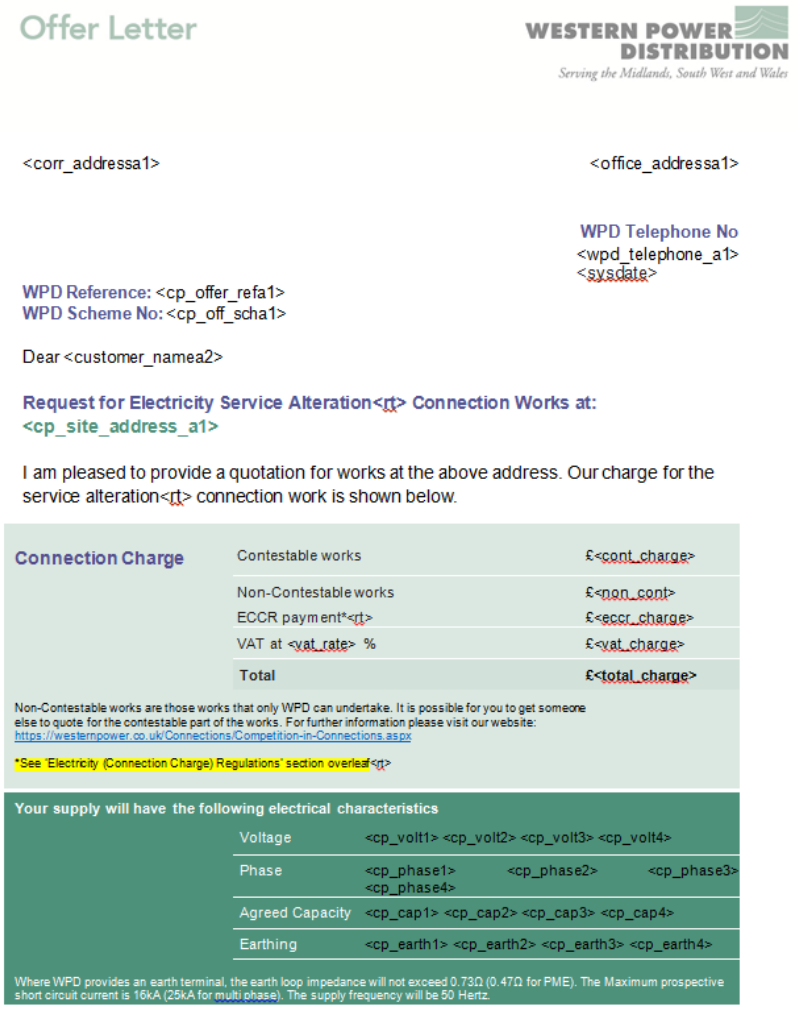
Connection Offer Development

Enhancements

- Shortened Offer
- Charges and works required made more immediately apparent
- The ‘small print’ now sign-posted rather than included in document
- Some clauses that never change moved from the Specific to the General Conditions
- Future work will include an ‘Information Pack’



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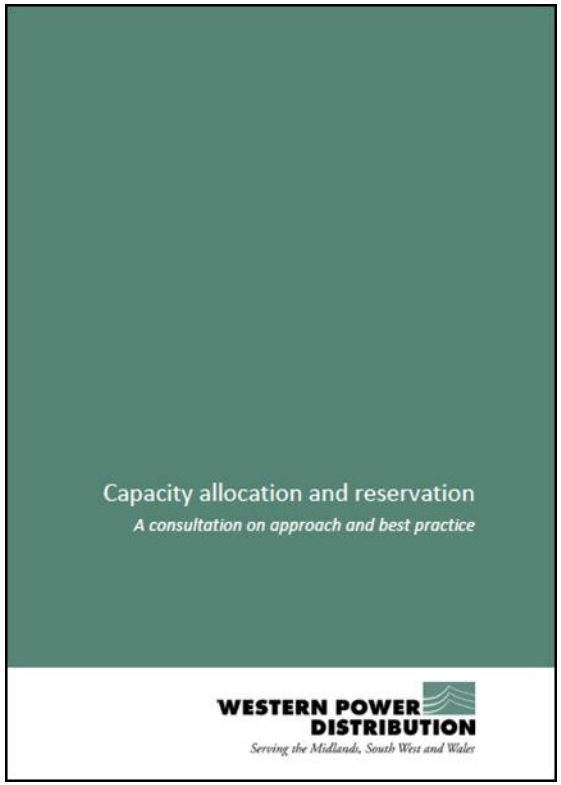
The consultation

- At the end of 2017 WPD issued a consultation on the issues we are encountering along with some proposals on our minded to approach in how we allocate network capacity and allow customers to reserve it at three key stages of the connection process;
  - Application
  - Acceptance of offer
  - Energisation and subsequent build out

- The consultation ran from 29th Dec 2017 to 19th February 2018



The Principles

- **Principle 1** - Capacity should be allocated according to customers' defined and verified requirements assessed against a set of qualifying criteria

- **Principle 2** - Capacity should be allocated on a strict date order of firm requirements and in line with WPD 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

DCP294 - Capacity Management following acceptance of Connection Offer

- sets out the principles under which a DNO may request an IDNO relinquishes unutilised capacity specified in connection offers or in bilateral connection agreements
- Requires the parties negotiate in good faith
- Extends the 'Development Phase' defined in the CCCM from 3 years to 5 years from energisation
- DNOs must update their Charging Statements by 28 June
- Potential impact on WPDs capacity reservation proposals

Initial findings

- We have received over 20 responses from stakeholders representing:
  - ✓ Local Authorities
  - ✓ Local Enterprise Partnerships
  - ✓ ICPs / IDNOs
  - ✓ Developers (demand and DG)
  - ✓ Consultants

- The responses cover a range of views with support for the approach we have tabled as well as some with concerns of its impact on them

- LA / LEPs are broadly supportive and keen for us to be able to work closely with their development plans

- Some stakeholders have concerns around the impact on large long-term developments.

Initial findings

- **Question 1: Do you consider the criteria for the customer to validate the requirement for their requested capacity is appropriate?**

- Approx 2/3 agree or generally agree with the principles to validate requested capacity.

- Comments raise the difficulties of knowing the build programme at the outset, particularly for commercial developments. Programmes can be reliant on ground works, provision of other infrastructure and the economy. Also developers need to make a start knowing that they can offer a valid opportunity but without knowing who the end customer will be, e.g. there can be large variations between the electricity supply requirements of offices, workshops, laboratories and data centres but all could be potential end users to take up the site.

Initial findings

- **Question 2: Are there any other criteria or is there any other evidence WPD should consider when assessing the validity of a customer's requested capacity?**
- Give weight to an allocated site within the Local Development Plan (LDP)
- Consider the strategic priority of the scheme as prioritised by the LA, LEP and government agencies
- Realism of the maximum capacity applied for
- Degree of certainty of project 'go ahead'
- History - non-implementation of permissions, land banking, previously scheme delivery of the applicant
- Customers' ability to pay for longer term requirements
- A clear timetable including when the customer will submit reserved matters where outline planning has previously been sought

Initial findings

- **Question 3: Do you consider that a customer should only secure a place in any interactive connections queue where they have defined and verified requirements and an immediate need for the connection?**

- Quite evenly split in terms of agreement/disagreement.

- Comments include that there have been occasions of selling queue places. Clarity required over 'immediate' – for one customer might be one week, others might be a year - and 'speculative' as varying interpretations seen across all DNO's. Customers need certainty in securing capacity for immediate phases – could interim statements be issued every 12-18 months advising on change in available capacity to serve remaining development and aid forward planning? Planning for immediate requirements doesn't fit with the plan-led system.

Initial findings

- **Question 4: Do you agree that existing network capacity should not be allocated and reserved beyond the timescales of the construction programme for the connection works on infrastructure only or speculative developments?**

- Mostly in agreement provided the process is fair and includes some flexibility, e.g. allowing developers to evidence site is still progressing where longer build timescales are required, such as provision of business plan or other documents demonstrating a sustainable build out program.

- The timescales are too short – 3 years for infrastructure utilising existing capacity whereby a 125 plot development will be a 4 year build period plus time to gain firm consents.

Initial findings

- **Question 5: Over what timescales do you think it is reasonable to secure capacity ahead of its actual usage?**

- Various timescales proposed from 3-5 years, up to 10 years and up to 15 years to match with planning departments/council core strategies.

- Several respondents didn't give a timescale but say that it should be based on the size of the development, evidence provided that the development aligns with strategic priority given or where there are contractual/funding guarantees in place.

- One respondent feels the customer should pay 100% of the cost including reinforcement and a capacity charge to match the capacity requested (as though it was in use) to deter fabricated project requirements.

Initial findings

- **Question 6: Do you agree that it is a reasonable cost signal to require speculative developments to pay 100% of the reinforcement costs and an uplift for operations, repairs & maintenance?**

- Those that agree feel that speculative developments should pay 100% to discourage capacity banking and delaying firm developments.

- Those that disagree feel this can damage the viability of encouraging growth and investment as the costs become prohibitive.

- Definition of ‘speculative’ is different in planning terms and would need to be clearly defined. For planning - long timescales for domestic sites does not deem it speculative, but an unknown commercial end user would be.

Initial findings

- **Question 7: Do you think this represents a workable solution to reserving capacity and if not, are there any alternative approaches that you believe WPD should consider to supplement or replace the approach we are proposing here?**
- Those that agree want consideration of local plans, liaison with LA's and LEP's and consideration of strategic planning. Also with the option to refund capacity charges if occupation is delivered within agreed timescales.
- Those that do not agree feel it unduly discriminates, e.g. de-energised connections retain the right to capacity but do not pay charges.
- Alternatives include:
  - A system enabling large business units to give back capacity to be used by smaller developers without the need for reinforcement
  - Ability to re-allocate queue positions based on a review of requirements and monitored data

Initial findings

- **Question 8: Do you agree that it is a reasonable cost signal to require demand customers to comply with a set of project progression milestones in order to retain their connection offer and its associated capacity?**

- All respondents either agreed or had some level of agreement.

- Several point out a need for milestones to be flexible – often developers need to demonstrate infrastructure is available for use before they can attract investment. The rules applied need to be sensible pre-determined and understood.

Initial findings

- **Question 9: Do you agree with the milestones set out above [in the consultation] or should we consider any alternative milestones?**

- The majority agree or agree in part, particularly for smaller developments.
- For larger developments, requests for flexibility, potentially aligning with timescales set out in the planning process.
- One respondent concerned that completion can be a barrier to investment if there is a risk of capacity being withdrawn due to delays during construction stage.

Proposed milestones for offers

i. the customer has submitted a valid detailed planning application to the local authority;

ii. the customer has and retains some form of land rights for the development, e.g. some form of freehold or leasehold interest;

iii. the customer has obtained detailed planning consent;

iv. a detailed programme of works is agreed and the connection works commenced;

v. the customer's installation is connected to the network and energised

Next steps

- We will issue our initial findings document by the end of July
- We will likely consult again on issues where the original consultation responses have identified additional areas requiring further consideration
- Intent is to consider those responses and ultimately issue final report
- Implement through issue of revised policies or procedures
- We will be mindful of parallel work being undertaken by the Open Networks Project but not let it delay our own work

CCSG views?

WESTERN POWER DISTRIBUTION

Serving the Midlands, South West and Wales

WPD CCSG
Wrap up – Summary and Next Steps

Alison Sleightholm & Richard Allcock

WESTERN POWER DISTRIBUTION
Serving the Midlands, South West and Wales

Summary

- Issues and feedback captured from today

Next Steps

- ICE consultation issued by Ofgem ~ end of June
- WPD ICE quarterly update issued in July
- Next workshop:

	Potential CCSG breakout sessions:
16th Oct 2018	• Requests from the group

- 2019 Dates to be sent out this month