WPD Consultation on Connection Interactivity, Acceptance Validity and Reservation of Capacity

March 2014

WESTERN POWER DISTRIBUTION

Serving the Midlands, South West and Wales

Background

The process for dealing with connection applications is defined in our connection charging methodology for each of our four distribution licence areas. These set out at a high level, the process we follow where applications for connections become interactive. The purpose of this consultation is to clarify and refine our approach on how we apply this process in a variety of 'real-world' scenarios.

In areas of the network where demand for connections is greater than the capacity currently available, we need to make the offers for these connections interactive. In these scenarios normally only one of the interactive offers can be successful and be connected without some reinforcement of the network. The unsuccessful applicants can then request new offers in which it is likely that the network will need to be reinforced to provide their connection or an alternate (likely more costly) connection arrangement offered.

Historically the need for interactive connection offers has been a rare event. With the significant growth in Distributed Generation (DG) connections interactive offers and queues for connection are now common on many parts of the network where existing capacity is being taken up. This consultation looks to explore scenarios not originally envisaged when the interactive process was first conceived and developed.

The growth in volume of DG connection applications has exacerbated the incidences of interactivity. Of the prerequisites to develop DG (sourcing finance, land acquisition, planning consent and connection to the grid), seeking an offer for connection to the network is the cheapest as Distribution Network Operators (DNOs) are not allowed to charge upfront for making a connection offer. As the developer will often seek planning consent after receiving a connection offer, this can lead to issues over acceptance validity, payment terms and reservation of capacity. If planning consent is not obtained and the connection does not go ahead, the delays may impact on other connections which are proceeding or could have proceeded.

Of the parties seeking DG connections there are a number of developers who's interest is to obtain a connection agreement, land agreement and planning consent for a project for onward sale to a third party who will fund, construct and operate the generator. This has caused further issues with acceptance validity, payment terms and reservation of capacity as the developer wants to minimise expenditure and delay progressing the construction of the connection until after sale, and subsequent transfer of rights to another party.

WPD are seeking views in this consultation on the fairest way to manage these issues and balance the differing needs of our customers on all sides of the issues.

Objectives

WPD are looking to obtain views from our stakeholders on a number of areas where we have options which in some cases may result in producing 'winners' and 'losers' where we have customers sitting either side of the issue. Some issues do not have a solution which will always provide the 'right' answer for all stakeholders involved. As such we are seeking your views as to which is the 'fairest' approach on each issue, following which WPD will consider all of the consultation responses and formulate appropriate policy and guidance.

We will then look to implement any changes as soon as possible following the consultation period.

Scope

The principles discussed in this consultation apply equally to both demand and generation connections, although the majority of the issues described in this document relate primarily to DG connections.

In this consultation we cover interactivity on connection schemes and the issues surrounding this in terms of network capacity reservation, connection charges and payments, along with the validity periods of offers and acceptances.

Interactive Connection Schemes

Questions in this section:

Issue: Impact of extending queue on 1st place

1) Should the initial moratorium period be extended where new offers are made within this period?

2) Should the moratorium extension be conditional on the initial party(ies) not accepting within the initial moratorium?

Issue: Joint 1st place / allowing multiple successful connections in a queue

3) Do you think that our minded to position of allowing multiple offers to be accepted where the network constraints allow, is the correct way forward or should there only ever be one successful party in an interactive queue?

4) Can you propose any alternative solutions to this issue which may be fairer and more efficient?

Issue: Interactive sub-queues

5) Where a party is unsuccessful due to a secondary constraint should a party further down the queue who is only limited by the primary constraint be allowed to connect or should the interactive process be restarted for all unsuccessful parties.

6) Should the minded to position of allowing multiple successful connections in an interactive queue also apply where there are secondary interactive queues?

Issue: Joining another interactive queue due to new minimum scheme

7) Where a connection offer has been unsuccessful in an interactive queue and the new minimum scheme for this connection requires it to join another queue, should the position in the queue be based on the original application date or the date of reapplication under the interactive queue process?

8) Do you agree with our proposed approach to join together interactive queues where an application incorporates the constraints on each queue or can you propose an alternative approach?

9) Do you believe there is any value in providing notice of potential interactivity at the POC design stage for competition in connections schemes given that the situation can change prior to issuing the offer?

When we receive more than one application for a connection which makes use of the same part of the network and cannot all be accommodated by this part due to system constraints, then we have to make them interactive connections applications.

To ensure that the applications are dealt with fairly, we follow the interactive process set out in our connection charging methodology statement. We assess and design each connection as if it was the only application for that part of the network so that each customer receives a connection offer for the minimum scheme necessary to meet their requirements. Each offer is made interactive with the other(s) and the customers have a 10 day moratorium period to consider the offer in which they cannot accept the offer. At the end of the moratorium the first customer to accept will be successful. If more than one customer accepts on the same day it will be the customer with the earliest application date who will be successful in securing the connection.

Those customers who are unsuccessful then have the option to continue with their application and receive a new offer for the works now required to make their connection, or they can reapply and change their requirements. In both cases they can keep their original application date which will be used if their connection remains or becomes interactive again.

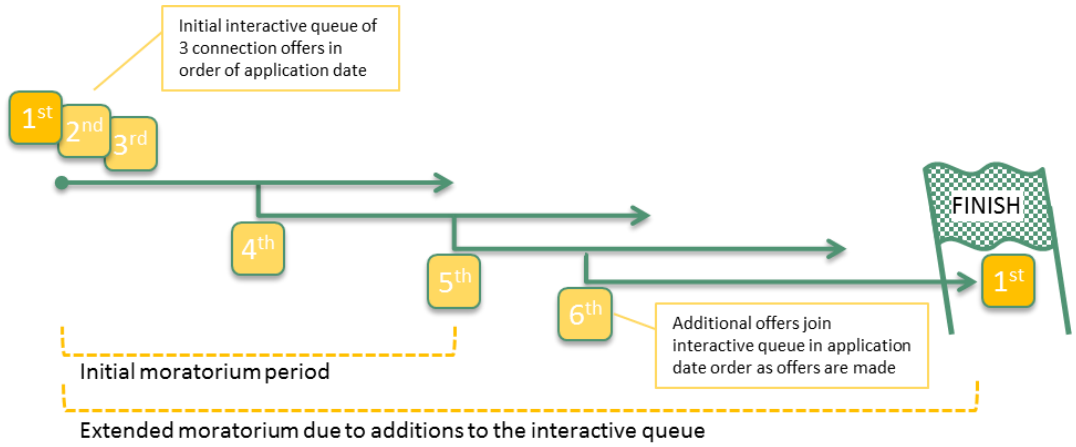
Further detail on the existing interactive process can be found in Appendix 1 where the section in WPD's connection charging methodologies on interactive connection applications has been reproduced.

The existing methodology for interactive connection applications caters for relatively straightforward queues of connections, however due to the volumes and scale of DG applications we now receive, we are finding ourselves with situations where the methodology does not describe how the scenario should be approached. In the section below we have illustrated some of the more frequent scenarios we are encountering and our proposals for how we should approach them.

Issues

- Impact of extending queue on 1st place
- Joint 1st place / allowing multiple successful connections in a queue
  - Interactive sub-queues
- Unsuccessful connections transferring to other queues
- Joining together of queues

Impact of extending queue on 1st place



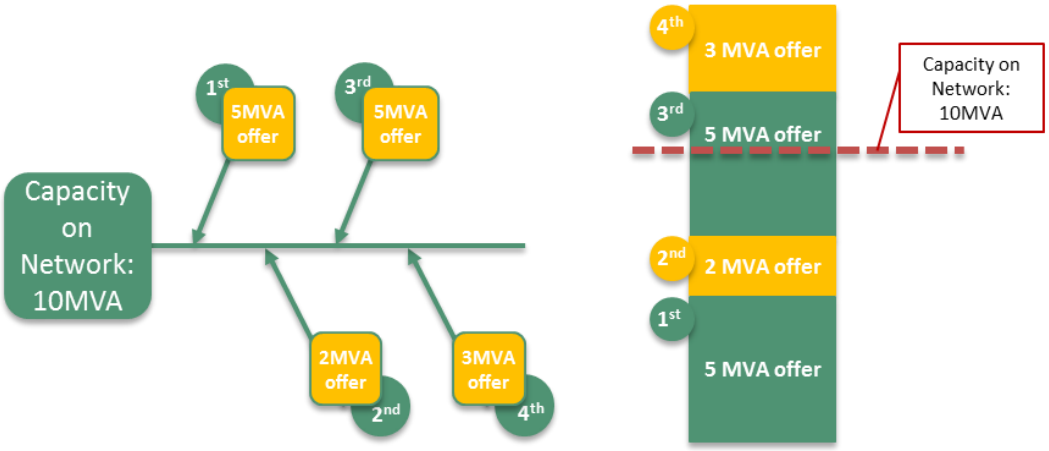
Due to the high volumes of applications for DG connections we can often find that a new application arrives which will become interactive with an existing interactive queue currently in the acceptance moratorium. In these situations, as illustrated in the diagram above, we have reset the moratorium period to give the new customer a fair chance within the interactive connections process. This effectively extends the moratorium period for those in the original period.

The feedback we have had is that this process of extending the queue is detrimental to those in the original moratorium who wish to accept and proceed with their connection. These customers are prevented from accepting their offer and proceeding with their connection because of an additional moratorium period or periods.

If the person in 1st place in the queue sends in their acceptance during the moratorium we will know at this point that they will be the successful party in the process. Our current methodology does not allow us to stop the process at this point and inform the other affected parties that they have been unsuccessful.

We would like to hear your views on whether we should amend our process to allow us to stop the process early and declare the successful and unsuccessful parties if we are aware during the moratorium period. We would also be interested in any alternative solutions which may be fairer or more efficient.

Joint 1st place / allowing multiple successful connections in a queue



There are scenarios with interactive connection applications where the initial two or more applications in the queue may not have been interactive until a certain application(s) would take the network beyond its current capability to accommodate all of the connections applied for. In the resulting interactive queue we may receive multiple acceptances where the combination of connections, in order of acceptance, could be accepted onto the network up to a point. The diagram above illustrates this for a capacity constraint on the network where more than one connection can have '1st place' in the interactive queue and successfully accept.

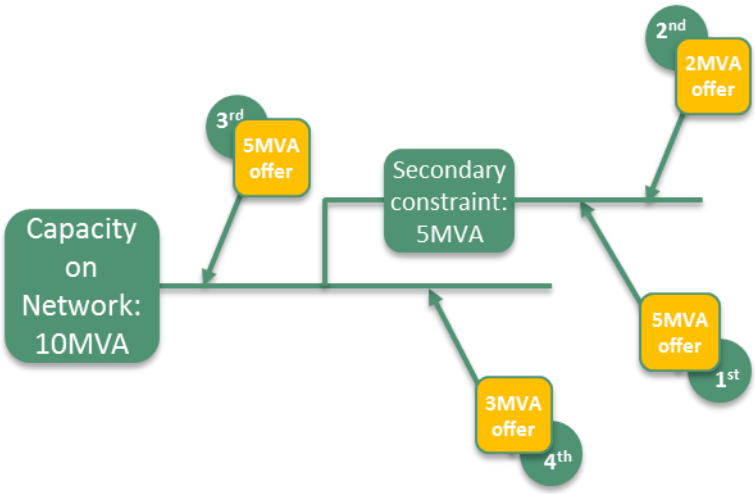
Our methodology does not specifically cater for the scenario where multiple connections can proceed together in the process. It currently states that upon receipt of an interactive offer acceptance we will notify all other parties that their offers are withdrawn. We have however, applied a common sense approach to this and allowed more than one successful connection in the interactive queue. We do this following the methodology that the acceptances are ordered in line with the valid application date if received during the moratorium or in line with the day of receipt after the moratorium. If more than one interactive offer acceptance is received on any given day after the moratorium, the earliest valid application date will be used to order them.

Allowing more than one successful acceptance in the interactive queue, speeds up the process for those connections which can successfully be connected and also for those who will need a new offer or may wish to alter their requirements. If only one '1st place' is allowed to accept, the interactivity process has to be re-run (potentially more than once) with the same offers going out to the applicants until the network is 'full'.

There are cases where the combination of acceptances means that there are connections which could be accommodated onto the network, which are down the order in the queue from the connection which has gone over the network constraint and triggered the interactivity process. For example in the diagram above, if all of the acceptances came in on the same day, the 3MVA offer in 4th place could fit onto the 10MVA network capacity with 1st and 2nd, but we would not allow them to accept because of the 3rd connection ahead of them in the queue. We believe that only allowing customers to successfully accept in the order of the queue is a fair approach and does not cause any undue disadvantage to the 3rd place connection when designing a revised connection if this customer requests one.

We are seeking your views on whether you believe that the approach we have described above is the fairest and most efficient way of dealing with queues where the network can accept more than one of the connections in the queue.

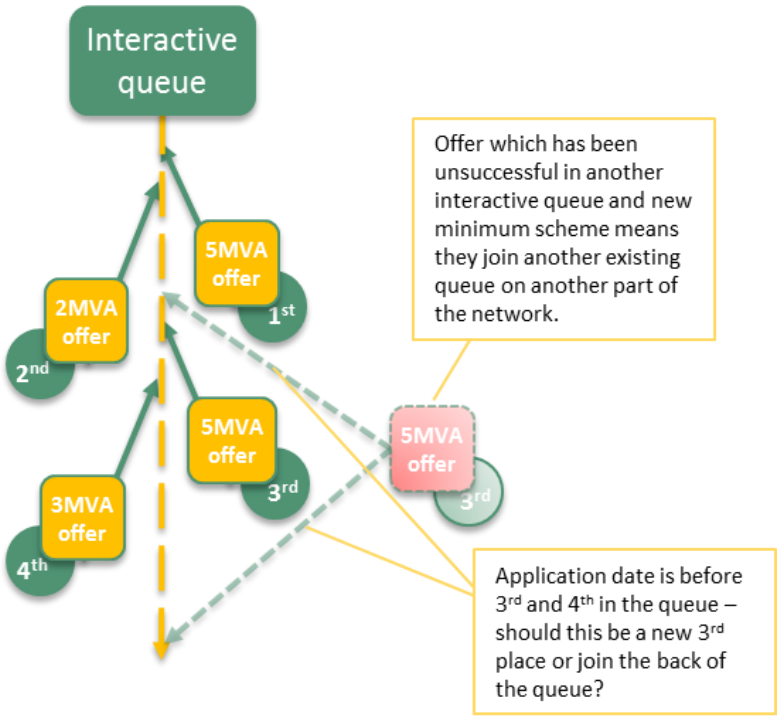
Joint 1st place & Interactive sub-queues



There are also scenarios where the interactive queue is more complex and the 'joint 1st place' process described above does not work as well. In the above diagram there is a secondary constraint on the network so that 1st and 2nd place in the queue cannot be accommodated on the network together. If all the acceptances in this example were received on the same day we would only allow the 1st connection to proceed so that the 2nd connection would not be disadvantaged. If the unsuccessful applicants wished to continue with their applications a second round of interactivity would be initiated, the 2nd connection would require additional reinforcement whilst 3rd and 4th would receive the same offer as before. We believe again that this is the fairest approach to others in the queue.

We are seeking you views on whether you agree with our approach or I you have an alternative suggestion which you believe would be fairer and more efficient.

Joining another interactive queue due to new minimum scheme



When a connection application has been unsuccessful in an interactive queue, the applicant can choose to re-apply on the basis of their original application or to alter the requirements and reapply to avoid hitting the network constraints and necessary reinforcement. In both cases there will be a new assessment and design carried out by WPD and a new offer made to the applicant based on the minimum scheme to provide their requirements. There are circumstances where the new minimum scheme may be to connection to another part of the network and in some cases this may be to a section where there is already an interactive queue in place.

The current methodology enables an unsuccessful connection to keep their place in the interactive queue using their original application date, but this assumes that they will be in the same queue for the same part of the network.

In the example above the unsuccessful applicant has an application date which would put them ahead of some applications in the other existing queue which their new minimum scheme joins. In this scenario we are seeking views as to the fairest way to treat the application jointing the other queue. The options are: to use the application dates and insert the application into the queue in that position; or to treat the application as a new entrant to the queue and place them in order of the date of the reapplication / request to proceed after being unsuccessful in their original queue.

In either of the options above there will be people who will perceive the approach as being unfair to them.

Proposal

Our proposal would be that if an applicant re-applies after being unsuccessful in an interactive queue and their new minimum scheme joins a new queue, then we would take

the date of the reapplication as the date to slot them into the new queue. This approach would minimise the impact on others already in the other queue who could be pushed down the order if we utilised the applicants original application date.

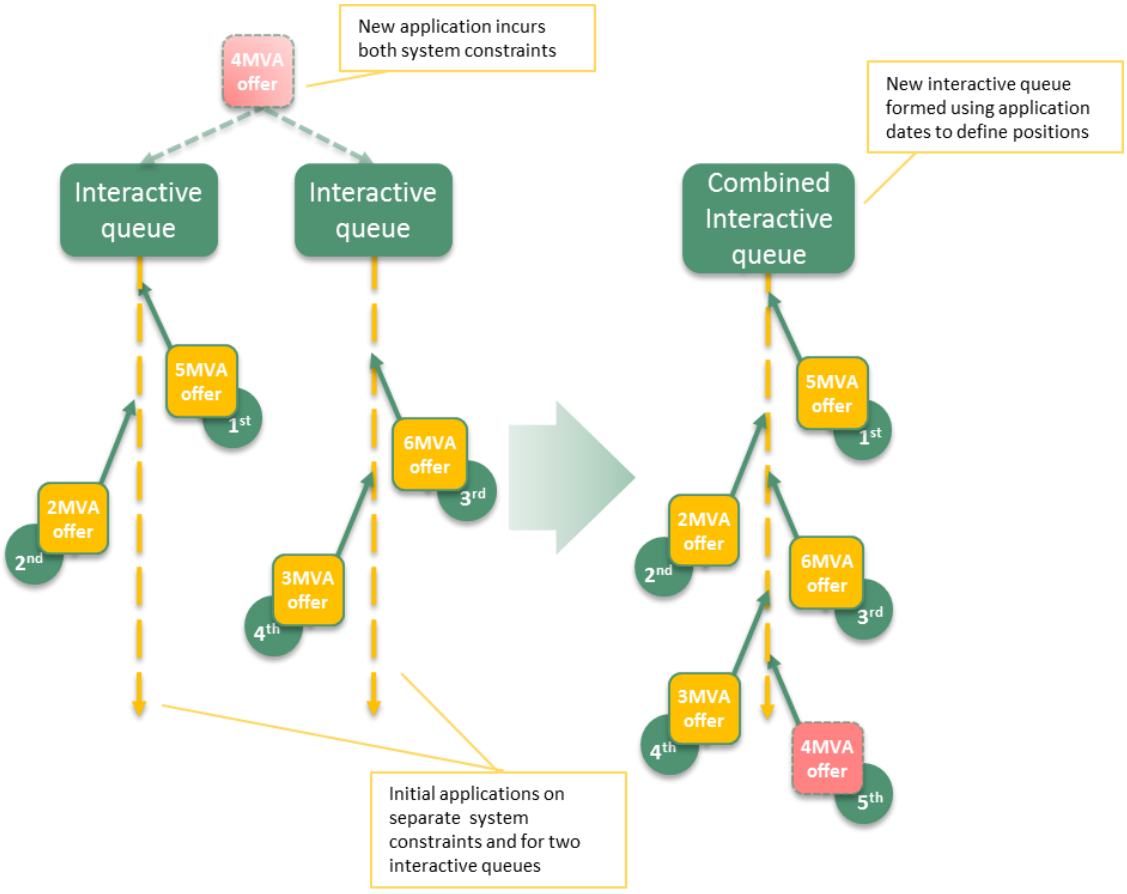
We are therefore looking to gain a consensus away from specific examples and apply that approach.

Joining together of queues

We have encountered scenarios where an application for connection requires a connection scheme which incorporates more than one system constraint where there is already an interactive queue of applications on each constraint.

In this scenario, as shown in the diagram below, we would propose that the fairest approach would be to join the interactive queues together and form a new combined queue. This new queue would be ordered based on the valid application dates of each applicant. The drawback for those in the original queues would be that they may receive notification that their position has dropped down the order. We would however apply the approaches described in the sections above regarding joint 1st place and secondary queues which could help to minimise the impacts.

We would like to seek views on whether you agree with our approach or if you have an alternative suggestion which you believe would be fairer and more efficient.



Competition in Connections point of connection provision

When we receive an application for a competition in connections scheme where a connection provider wishes to carry out the contestable connection works, the first stage is to issue a point of connection (POC) design to the applicant. The POC design is then followed by an offer for the non-contestable works and our interactive process prescribes that all the applicants are notified that their request is or has become interactive at the point the offer is made. With the trigger being the offer and not the POC design problems can arise whereby the applicant is not aware that their POC is interactive until later in the process. It would be difficult to trigger the interactivity at the POC design stage since there will not be an offer for the applicant to successfully accept and the timescales to provide the POC design are much tighter than the offer and this would be out of line with other offers.

We would like to seek your views on whether we should continue with the current process or whether there is any value in providing notice of potential interactivity at the POC design stage, bearing in mind the situation can change between issuing the POC design and issuing the POC offer.

Use of Section 22 Agreements

Questions in this section:

1) What is the best way to facilitate sharing of information between developers?

2) Would you be likely to participate in sharing arrangements between developers?

3) Do you have a proposal of how we should treat situations where further applications cause the most economic reinforcement to have a longer implementation timetable than the initially planned reinforcement?

With the large volumes of accepted connection offers for DG connections we have received, there are significant increases in network constraints and new applications are triggering potentially large amounts of network reinforcement. The costs involved in this reinforcement to the applicants who trigger it can be prohibitive when considering whether or not to proceed with their generator scheme.

One way in which applicants can avoid their scheme being the sole recipient of the network reinforcement cost is to collaborate with other developers who want to connect to the same part of the network and share the costs in a consortium and enter a Section 22 Agreement. In order for us to be able to quote for the connections in such a consortium we would need to do so under different terms than we would when making an offer under our normal obligations under Section 16 of the Electricity Act. We can make such offers of alternate terms under Section 22 of the Act which allow us to agree alternative terms of connection.

There may be difficulties in like-minded developers wanting to establish a consortium both being aware of one another and being at a similar stage of their development.

For these Section 22 Agreements to be established it would require the facilitation of knowledge of developers interested in a particular location together with availability of system studies of the capacity made available by particular reinforcement work.

WPD and Regen SW are currently working collaboratively on ways of enabling DG developers to act as a consortium and thus share the cost of connection to the network where reinforcement is required. Workshops undertaken have confirmed that a consortia approach may, in some circumstances, enable reinforcement work that would otherwise be prohibitive for individual DG developers. Our current view is that the consortia would be a clear legal entity and to be able to provide the finance on a staged basis for network reinforcement prior to any expenditure.

We are looking at areas of the network where we consider a consortia approach could enable reinforcement works and are working with Regen SW to see how best we can communicate the opportunity to DG developers. If proved a success we would look to roll out the arrangement to all areas

It is likely that these agreements would be with a consortium of connections which would match and look to utilise the full capacity made available by the reinforcement of the network. In this case consideration needs to be given to whether such agreements need to include provision for further applicants seeking to connect smaller connections that would not have the resources to participate in a consortium. If not part of the consortium such connections may trigger the next level of reinforcement.

The next level of reinforcement could have a knock-on effect to the ‘first’ reinforcement in changing the timing scope of the most economic reinforcement works, potentially delaying the consortium’s connections. Do you have a proposal of how we should treat situations where further applications cause the most economic reinforcement to have a longer implementation timetable than the initially planned reinforcement?

Proposals

In order for us to facilitate these arrangements an open list for those interested parties who are willing to share information about their proposed plans to other parties would need to be created to enable contact between them.
We would also need to publish basic information on Section 22 sharing agreements (location and capacity) to allow other developers to better understand the opportunities available.

For the agreements themselves, we would want to enter into this with a single entity such as a joint venture or consortium due to the complexities which could arise in dealing with multiple applicants.

We would like to understand your views on these proposals and what you would require to be able to participate in such arrangements.

Acceptance validity

Questions in this section:

1) do you agree with our proposed milestones for acceptance validity?

2) do you consider the milestones to be split into appropriate groups?

3) what are your views on our proposed approach to extensions of validity?

4) what if any are the appropriate exemptions which should be included and accepted to extend the timescales of the milestones?

With the cost of the connection offer often being cheaper than the other costs involved in establishing a generator (planning, consents, construction costs etc.), the connection offer is often sought and then accepted prior to the generation scheme having these other prerequisites in place.

The acceptance of the offer for connection effectively reserves the capacity on the network for that connection. When our Planners are designing other connections they must assume that this capacity has been utilised and is not available to use for other connections.

This can cause an issue where an accepted connection does not proceed (for example planning permission is not obtained) and the connection is cancelled. The issue may be that we have designed other connections on the basis of this connection proceeding. In these cases the offers which other customers receive may include costs for network reinforcement, which would not be necessary should the original acceptance not proceed. The additional cost and/or delays to the other connections may deter customers from proceeding or block those who are ready to proceed.

Clearly customers who are seeking connections for generators want to have certainty over their connection when undertaking expensive planning applications or ordering and commencing construction of large scale generation plant. Our connection charge statement allows us to require work to be started and completed within a determined period of time. Where these, or agreed milestones, are not met, it allows us to withdraw the offer and make a new offer on revised terms appropriate at the time.

We currently use a set of milestones for large-scale generation projects set out below:

i) *The Customer shall have applied for planning consent within 30 days of the date of acceptance of this Connection Offer;*

ii) *Planning consent shall have been granted within 12 months of the date of acceptance of this Connection Offer;*

iii) *the Connection Works are commenced within 18 months of the date of acceptance of this Connection Offer (save for in the event that this milestone is missed as a direct result of an act or omission by WPD); and*

iv) *the Connection Works are completed within 24 months of the date of acceptance of this Connection Offer (save for in the event that this milestone is missed as a direct result of an act or omission by WPD).*

We are however regularly asked to extend validity periods when, for example, planning permission is going to appeal. We want to consult on the best approach in order to be as fair as possible to all customers; those who have an accepted scheme they want to hold on to and those who may be disadvantaged by already accepted schemes which may not come to fruition.

The key areas that would benefit from clarification are:

- Should we publish a list of expected milestones for different project types?
- What would be a reasonable number of 'project types'? E.g. by voltage on connection, size of import/export capacity, generation technology type etc.
- How rigidly should these timescales be adhered to? E.g. if planning is refused but an appeal decision is awaited should we consider extending the validity?

Proposals

- Publish sets of milestones, differentiated on the basis of voltage level of the connection and / or generation technology type
- Publish a list of potential exemptions to the milestones where we will extend timescales. Provide the timescale extension each of these exemptions would give.

Payments

Questions in this section:

1) Do you agree with our proposal to maintain our current policy regarding the request of stage payments?

Our connection charge statement requires payment in full prior to energisation and recommends payment on acceptance except where there is phased development or major electrical infrastructure. Where there is phased development or major infrastructure an initial payment will be required followed by instalments to coincide with our incidence of expenditure – hence we do not commence works or order material etc. prior to receiving payment for each stage of the scheme.

Concerns have been raised by our stakeholders that stage payments with relatively small initial payments, combined with our acceptance validity (see section above) can result in

developers ‘reserving’ capacity at low cost whilst delaying development, which blocks other developers who are ready to proceed.

We need to address the ‘pay initial instalment but do nothing’ requests particularly where upstream reinforcement is needed so that customers who are able to proceed are not blocked.

The approach to stage payments WPD currently have in place is there to ensure that large payments are not requested far in advance of actual expenditure, which can cause barriers to smaller developers. For instance, a community energy scheme may find it very difficult to fund the entire connection costs upfront to secure their connection and capacity at the outset of their scheme.

We are seeking views on the fairest approach to this issue, balancing the need to deter speculative reservation of capacity versus the unintended barrier to smaller developers.

Proposals

Whilst there is some deterrent incentive to speculative applications if we were to introduce a policy of full payment or even require a very large deposit on acceptance of an offer, if the connection is subsequently cancelled, a refund (less any costs incurred or committed to the date of cancellation) of the contribution is made. Hence the risk to the customer may only be that of the initial costs of the scheme (e.g. design and assessment fees) providing they can fund the full upfront contribution.

Small developers/community energy projects are less likely to be able to raise the finance necessary at acceptance than larger commercial developers and hence seeking contributions significantly above and ahead of committed costs may be a barrier to these projects progressing.

Given the above, we do not see any compelling case to change our current policy

As reinforcement could facilitate further connections, we may only be able to delay ‘sole use’ asset work following acceptance of an offer. Where an acceptance is received for an offer which has triggered reinforcement, we need to consider this as committed works when assessing further connection applications. Delaying these reinforcement works may cause significant knock-on delays to these connections.

Visibility of post acceptance queue

Questions in this section:

1) *In your view how useful would this information be on the queue of accepted not yet connected scheme?*
2) *Is the level of information we are proposing to publish suitable?*

In order for developers to take more informed views of where may be better locations to apply for connections to the network we could investigate the possibility of making information available on the queue of accepted schemes not yet connected on the network. This information may allow applicants to take a view and assess the likelihood of those accepted schemes progressing and whether or not they may choose to apply for a connection in that part of the network.

In order to do this, one of the issues we would need to tackle would be the level of information we would be able to make available, in light of the data protection and commercial sensitivity issues.

We therefore propose that due to concerns over data sensitivity, we would be able to publish information on each acceptance in a queue including: the acceptance date, the capacity requested and the first part of the postcode of the site. We believe that this would give enough visibility to take more informed views on the more attractive sites to apply for connections.

We are seeking your views as to how useful this information might be and the level of information we are proposing to publish.

Changes to application and effect on queue position

Questions in this section:

1) *Do you think we should allow applicants to be able to alter their requirements both during the application and post acceptance without losing their position in the interactive queues?*
2) *In particular do you think that a change of capacity or a change to the site of the connection should be allowable without altering the position in the queue?*

In our current processes for providing offers for connections, where an applicant makes a significant change to their connection requirements which results in a new assessment and / or re-design we treat this as a re-application and reset the timescales for providing the formal offer. This process is in line with the guidance for the guaranteed Standards of Performance (GSoPs) we work to and ensures that we are allowed sufficient time to design

and make and offer for a connection, especially where requirements change close to when an offer is due to be issued.

We know however that developments can change from when an application is initially made, for example planning permission may dictate that less generation capacity is required or even that there is a requirement to make the connection at another premises.

Where an application is in an interactive queue, these changes to capacity requirements or connection location result in a new application date and therefore drop the application down the queue.

This can also happen in the post acceptance 'queue' where connection requirements change significantly (i.e. new connection location site) and the applicant currently has to make a new application. This means the applicant relinquishes the capacity they had secured on their original acceptance and goes back into the interactive queue of applications.

The risks for the applicant in potentially losing out on their capacity / connection by requesting the changes to their requirements may lead to them not requesting the change and could have knock-on effects on other applicants in the queue where capacity may have been relinquished for instance.

We are seeking your views as to whether we should allow applicants to be able to alter their requirements both during the application and post acceptance without losing their position in the interactive queues? We are particularly interested in whether a change of capacity and a change to the site of the connection should be allowable without altering the position in the queue. Our current view is that allowing these changes to requirements could be unfair to other applicants in an interactive queue.

Reservation of capacity

Questions in this section:

1) *Should a developer be able to contract to pay for infrastructure upgrades on condition that they have exclusive rights to the capacity created for a period of time without having specific proposed connections at the time of entering the agreement?*
2) *Should a customer be able to seek/continue with a connection agreement for capacity (either import or export) and reserve it (by paying appropriate UoS charges) where it is significantly in excess of that which their plant is capable of using?*

When a customer accepts an offer for a connection, it is at this point they have effectively reserved the capacity they have requested on the network. Following energisation, the capacity will become an authorised supply capacity (ASC) included in their connection agreement.

There are a number of issues related to network capacity and the reservation of capacity which are exacerbated by the increase in volumes of generation connection applications seen in the last two years.

Securing the export capacity is a key milestone for generation schemes proceeding and as explained in the sections above, this is often done well in advance of the actual construction or even planning application for the generator. Accepted offers for generation capacity have become a valued commodity and often change hands ahead of construction or energisation of the generator. The need to secure capacity well ahead of the generation connection creates issues in terms of sterilising areas of the network for other connections where lack of capacity may mean that large and expensive reinforcement works are required to create new capacity. Where these reinforcement works take place and generation connections are subsequently cancelled this can also create stranded assets where capacity could be well in excess of what is required.

Infrastructure schemes

Due to the increasing constraints on the network, more and more generation schemes are triggering large scale reinforcement to create the additional capacity required. For generation these reinforcement works are triggered on a first-come-first served basis whereby acceptance of an offer will trigger all of the works and the connecting customer will pay for a proportion of the reinforcement (according to rules set out in our Charging Methodolgies). The first generator will often have a high hurdle in terms of cost of reinforcement and timescales for the works which subsequent generators will only have to a lesser extent.

An alternative to this is for an infrastructure scheme to be requested by a developer to construct works to create a certain amount of capacity for non-specified connections. The developer would have exclusive rights to the capacity for a set period of a number of years under a capacity agreement which they could then allocate to subsequent generators. This could be used by a consortium to share the cost of securing network capacity. The drawback to this type of arrangement is that it is prohibitive for small- to medium-scale developments such as community generation schemes to enter into. If such an agreement is entered into, it could also freeze-out smaller schemes in the same area.

The capacity on these infrastructure schemes is also not paid for through use of system (UoS) charges until connections are made to the infrastructure. This aspect could make them less attractive in terms of their impact on other customers.

Excess capacity

We are obliged under our licence conditions to offer a customer connection terms for the capacity they require and subsequently pay the costs for. There is potential for a customer to request a capacity well in excess of their requirements, which is another method for the customer to reserve network capacity which they could use for future expansion. Once energised the customer will pay for this capacity through UoS charges but the excess capacity cannot be used for other connections and ‘sold on’ to another party. The benefit to

the developer of this excess capacity can be that they have secured a capacity in an area where it is scarce, for them to use in future expansions of their site or to lay cable to another site.

Securing this excess capacity ahead of need will have a knock-on effect to customers who may have a genuine need for the capacity much sooner.

Proposals

Infrastructure schemes

Payment for infrastructure for defined periods of exclusivity may be allowed, but consideration is needed of whether we should have a role in restricting or regulating 'resale' and if so under what obligation and how? Therefore we propose to allow infrastructure schemes for defined development areas and specific connections identified as part of that development. The capacity on these schemes will be reserved for a defined period of 2 to 3 years depending on the development plans provided.

Excess capacity

We are seeking views on what we should/can do in these circumstances to release capacity.

Combined feasibility / offer process

Questions in this section:

1) *Do you think the date of the feasibility application (or date of payment for feasibility study) should be used as the initial application date for potential interactive queues?*

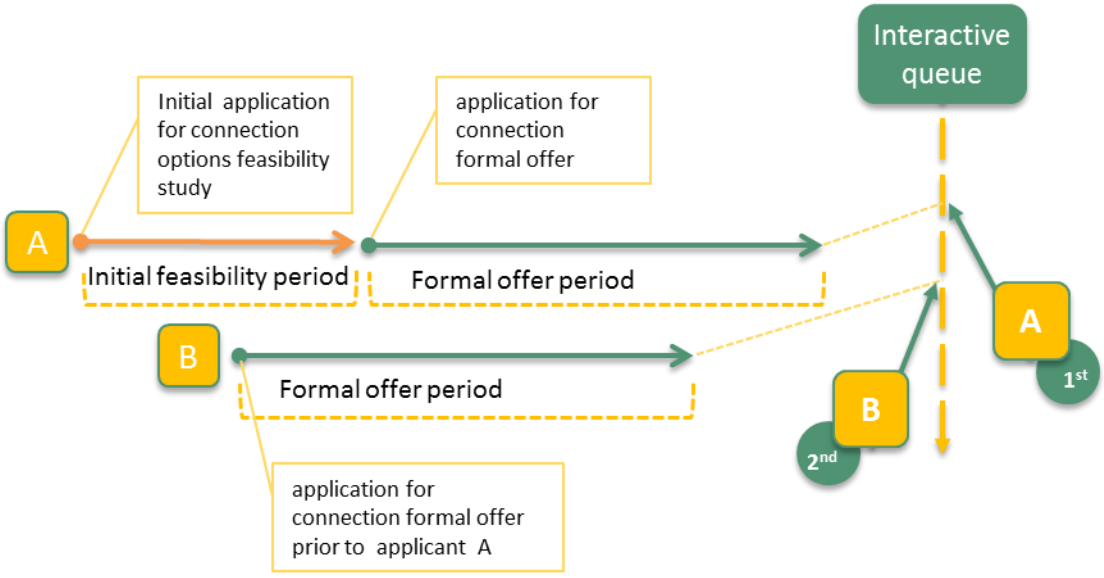
Scottish Power Energy Networks have recently implemented a process for DG connections where the developer can request a feasibility study on a range of potential capacities at a location and retain the feasibility application date when they submit their application for the formal offer.

This process helps developers who are trying to establish what and how much they can connect in an area, by allowing them to weigh up their options before committing to a final set of connection requirements. In doing this they can find the best solution without having to send in multiple formal applications into the DNO which require formal offers, to make sure they have a place as high as possible in any interactive queue which may form. As a DNO we need to make sure that any such change in process would balance the potential advantages of preparing fewer offers against the possible additional resource required to assess multiple options which slow the process down.

As there is a payment associated with a feasibility study, should the date of application for the feasibility study or the date of payment for the feasibility study be used as the application date?

We are also concerned this may disadvantage other developers that may already have a firm set of requirements and are in a position to make their formal application, but will be further down the queue than the developer using the feasibility process.

The feasibility approach may also incentivise applicants to reserve capacity in excess of their immediate needs by requesting the maximum capacity available without the need to reinforce the network.



We are seeking views as to whether WPD should introduce a similar process allowing the date of request of the feasibility study (or date of payment for the feasibility study) to be used as the application date in the interactivity process.

Queues for 'Smart' Offers an interaction with conventional queues

Questions in this section:

1) *Do you believe our proposal to incorporate these smart offers into the interactivity process is the most fair and efficient approach?*
2) *Do you have an alternative solution?*

WPD are increasingly offering 'Smart' alternative connection offers for DG connections, where reinforcement of the network is avoided by providing connections with various types of constraints: timed, soft intertrip and active network management for controlling generator output.

With these methods we are able to offer an applicant a larger capacity and / or lower cost offer than if we were designing a conventional connection, where the capacity is designed to be available continuously (subject to network constraints or abnormal network conditions).

Proposals

These smart alternative connection offers can interact with applications for conventional offers and we would therefore propose that we would apply the same interactive connection application process to both types of offer. However, there may need to be interactive sub-queues as earlier in the consultation, where multiple applicants are requesting smart alternative offers which may be interactive and these also interact with conventional offers.

We are seeking your views as to whether you believe our proposal to incorporate these smart offers into the interactivity process is the most fair and efficient approach or if you have an alternative solution.

Interaction of 'Smart' offers with cancellation of an acceptance in a conventional queue

Questions in this section:

1) *Where capacity is released by a cancelled connection, should applicants with smart connections / offers be offered a conventional connection before later parties? If so, should this be an enduring principle if/as capacity becomes available?*

Applicants may request, have accepted or be already operating under a 'smart' offer to allow their connection and avoid network reinforcement due to 'conventional' capacity being taken up on accepted schemes. If an applicant subsequently cancels their accepted conventional scheme it releases capacity back onto the network. In this scenario should they be offered a conventional connection before later parties? If so, should this be an enduring principle if/as capacity becomes available?

We are seeking your views on the fairest approach for us to adopt or an alternative approach you could propose which may be fairer.

Appendix 1 – Current Interactive Connection Applications Guidance

(Extract from guidance in WPD's four Statements of Methodology and Charges for Connection)

Interactive Connection Applications

2.21 There are occasions where we receive two or more applications for connection which make use of the same part of the Distribution System. These may become "Interactive Connection Applications", resulting in additional costs. We have a strict process to ensure fairness and this process is detailed below.

2.22 The process for managing two or more "Interactive Connection Applications" will be as described below. The following definitions are used in this Section.

Affected Parties	all Customers whose Connection Offer(s)/ POC Offer(s) have been identified by us as being interactive.
Application Date	the date upon which we receive **all** the information (see 2.7) we require in respect of an application.
Business Day	means any day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday within the meaning of the Banking and Financial Dealings Act 1971 and will be from 9:00am to 5:00pm (GMT or BST as applicable).
Committed Network	means assets that are not yet installed and commissioned on our Distribution System, but which are planned to be so as a result of other Connection Offer(s)/ POC Offer(s) which have been made by us and accepted by other applicant(s).
Connection Offer	is as described in 1.13.
POC Offer	is as described in 1.14.
Existing Network	means our currently installed and commissioned Distribution System.
Interactive Connection Applications	arise where we receive two or more applications for connection which make use of the same part of the Existing

	Network or Committed Network or otherwise have a material operational effect on that network such that there is or would be a material impact on the terms and conditions of any Connection Offer/ POC Offer made in respect of such connections.
Interactive Connection Offers	are Connection Offers/ POC Offers made in respect of Interactive Connection Applications.
Interactive Queue	the queue of Affected Parties in receipt of Interactive Connection Offer(s) as defined by us.
Moratorium Period	a period of 10 Business Days.
Notice of Interactivity	a notice issued by us in accordance with paragraph 2.24.

2.23 We will identify where the making of a new Connection Offer(s)/ POC Offer(s) would (if accepted) affect the terms of other unaccepted Connection Offer(s)/ POC Offer(s). We will notify all Affected Parties at the same time that their Connection Offer/ POC Offer is or has become interactive.

2.24 At the time of making any Connection Offer(s)/ POC Offer(s) that trigger interactivity all Affected Parties will receive a "Notice of Interactivity". The Notice of Interactivity shall:

a) inform the Affected Parties in writing:

- that there is another Connection Offer(s)/ POC Offer(s) outstanding, the acceptance of which might affect the terms of any Connection Offers/ POC Offers made
- that their Connection Offers/ POC Offers are interactive;
- their respective positions in the Interactive Queue, determined by the Application Date; and
- the process for accepting Interactive Connection Offers.

b) make all Interactive Connection Offers conditional upon the other(s) not having been accepted; and

c) suspend the Affected Parties' right to accept their Interactive Connection Offers until 9:00am on the next Business Day following the end of the Moratorium Period. Where a Moratorium Period applies due to interactivity, we will where necessary extend the acceptance period of all Interactive Connection Offers for the same duration as the Moratorium Period.

2.25 The Interactive Queue shall be comprised of the Affected Parties, and an Affected Party's position in the Interactive Queue will be determined by the Application Date. The Affected Party with the earliest Application Date amongst the Affected Parties will be first, the Affected Party with the next earliest Application Date will be second, and so on. If two or more Affected Parties have the same Application Date, they will be given the same (joint) position in the Interactive Queue.

2.26 The Affected Parties will only be able to accept their Connection Offers at the end of the Moratorium Period. Any acceptance of an Interactive Connection Offer received by us prior to 9:00am on the first Business Day following the end of the Moratorium Period will be deemed to have been received at 9:00am on the first Business Day following the end of Moratorium Period. Following the end of the Moratorium Period, any interactive Connection Offer acceptance received after 5:00pm will be deemed to have been received at 9:00am on the following Business Day.

2.27 If more than one Interactive Construction Offer acceptance is received on any given day, the Affected Party who has the earliest position in the Interactive Queue consistent with paragraph 2.25 will be considered to be a valid acceptance. If two or more Affected Parties have the same Application Date, and therefore hold the same position in the Interactive Queue, the first of such Affected Parties to submit their acceptance to us will be considered to be a valid acceptance.

2.28 Upon receipt of an Interactive Connection Offer acceptance, we will notify all other Affected Parties that their Connection Offer(s) are withdrawn. Following the withdrawal of an interactive Connection Offer, the Applicant shall have the option to re-apply, or advise they wish their original application to continue to be considered, in which case we will issue a new Connection Offer to the Applicant. They will remain in the same existing order within the Interactive Queue.

Appendix 2 – Consultation Response Questionnaire

We want to hear your views on the topics and issues presented in this consultation. We are keen to get your feedback on the specific questions we have included at the beginning of each section heading.

To assist with your response we have produced a questionnaire with the specific questions from the consultation reproduced below.

Responses should be returned by **11th April 2014** to:

Richard Allcock
Connections Policy Engineer
T: 01332 827503
Western Power Distribution
Pegasus Business Park
East Midlands Airport
DE74 2TU

Or emailed to: wpdconnectionpolmids@westernpower.co.uk

If you wish for your response or any of its content to remain confidential, please clearly mark it to that effect.

Next steps

We will publish our response and the actions we are taking following consideration of the responses to the consultation in **June 2014.**

Questionnaire: WPD Consultation on Connection Interactivity, Acceptance Validity and Reservation of Capacity

Please provide you responses in the template set out below. A standalone editable version of this template is available on our website and upon request.

Please indicate the type of stakeholder you represent

1.Domestic customer (or representative)	☐	7. Community energy scheme	☐
2.Business customer (or representative)	☐	8.Consultant	☐
3.Local authority / council officer	☐	9.Energy / utility company	☐
4.Parish councillor	☐	10.Regulator / government	☐
5.Developer / connections representative	☐	11.Academic / education institute	☐
6.Distributed Generation developer	☐	12.Other	☐

Interactive Connection Schemes

Issue	Question	Response
Impact of extending queue on 1st place	1) Should the initial moratorium period be extended where new offers are made within this period?	
	2) Should the moratorium extension be conditional on the initial party(ies) not accepting within the initial moratorium?	
Joint 1st place / allowing multiple successful connections in a queue	3) Do you think that our minded to position of allowing multiple offers to be accepted where the network constraints allow, is the correct way forward or should there only ever be one successful party in an interactive queue?	

	4) Can you propose any alternative solutions to this issue which may be fairer and more efficient?	
Interactive sub-queues	5) Where a party is unsuccessful due to a secondary constraint should a party further down the queue who is only limited by the primary constraint be allowed to connect or should the interactive process be restarted for all unsuccessful parties.	
	6) Should the minded to position of allowing multiple successful connections in an interactive queue also apply where there are secondary interactive queues?	
Joining another interactive queue due to new minimum scheme	7) Where a connection offer has been unsuccessful in an interactive queue and the new minimum scheme for this connection requires it to join another queue, should the position in the queue be based on the original application date or the date of reapplication under the interactive queue process?	
Joining together of queues	8) Do you agree with our proposed approach to join together interactive queues where an application incorporates the constraints on each queue or can you propose an alternative approach?	
Competition in Connections point of connection provision	9) Do you believe there is any value in providing notice of potential interactivity at the POC design stage for competition in connections schemes given that the situation can change prior to	

	issuing the offer?	

Use of Section 22 Agreements

Issue	Question	Response
Use of Section 22 Agreements	1) What is the best way to facilitate sharing of information between developers?	
	2) Would you be likely to participate in sharing arrangements between developers?	
	3) Do you have a proposal of how we should treat situations where further applications cause the most economic reinforcement to have a longer implementation timetable than the initially planned reinforcement?	

Acceptance validity

Issue	Question	Response
Acceptance validity	1) Do you agree with our proposed milestones for acceptance validity?	
	2) Do you consider the milestones to be split into appropriate groups?	
	3) What are your views on our proposed approach to extensions of validity?	
	4) What if any are the appropriate exemptions which should be included and accepted to extend	

	the timescales of the milestones?	

Payments

Issue	Question	Response
Payments	1) Do you agree with our proposal to maintain our current policy regarding the request of stage payments?	

Visibility of post acceptance queue

Issue	Question	Response
Visibility of post acceptance queue	1) In your view how useful would this information be on the queue of accepted not yet connected scheme?	
	2) Is the level of information we are proposing to publish suitable?	

Changes to application and effect on queue position

Issue	Question	Response
Changes to application and effect on queue position	1) Do you think we should allow applicants to be able to alter their requirements both during the application and post acceptance without losing their position in the interactive queues?	
	2) In particular do you think that a change of capacity or a change to the site of the connection should be allowable without altering the position in the queue?	

Reservation of capacity

Issue	Question	Response
Reservation of capacity	1) Should a developer be able to contract to pay for infrastructure upgrades on condition that they have exclusive rights to the capacity created for a period of time without having specific proposed connections at the time of entering the agreement?	
	2) Should a customer be able to seek/continue with a connection agreement for capacity (either import or export) and reserve it (by paying appropriate UoS charges) where it is significantly in excess of that which their plant is capable of using?	

Combined feasibility / offer process

Issue	Question	Response
Combined feasibility / offer process	1) Do you think the date of the feasibility application (or date of payment for feasibility study) should be used as the initial application date for potential interactive queues?	

Queues for 'Smart' Offers an interaction with conventional queues

Issue	Question	Response
Queues for 'Smart' Offers an interaction with conventional queues	1) Do you believe our proposal to incorporate these smart offers into the interactivity process is the most fair and efficient approach?	
	2) Do you have an alternative solution?	

Interaction of 'Smart' offers with cancellation of an acceptance in a conventional queue

Issue	Question	Response
Interaction of 'Smart' offers with cancellation of an acceptance in a conventional queue	1) Where capacity is released by a cancelled connection, should applicants with smart connections / offers be offered a conventional connection before later parties? If so, should this be an enduring principle if/as capacity becomes available?	