

The National Grid Company plc

Connection Charging Methodology

Report on:

CCM-M-02

**Update Modification to
The Statement of the Connection Charging Methodology**

26 September 2001

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1. INTRODUCTION

Paper CCM–M-02 set out for consultation National Grid's proposed modification to the Statement of the Connection Charging Methodology (Issue 1.0 Revision 0) to improve its accuracy and clarity, as obliged under paragraph LC10B(4) of the Transmission Licence.

Ofgem has requested that National Grid follow a consultation process for these changes. The Authority has directed National Grid to consult CUSC Users on the proposed modification and allow them a period of not less than seven days within which to make written representations. The consultation process ran from 19-25 September 2001.

Following the consultation period, this report sets out Users' responses to the proposed Modification changes to the Statement of the Connection Charging Methodology (Issue 1.0 Revision 0) and the changes to the proposal resulting from those responses.

Subject to the Authority's power to veto this modification proposal, National Grid intends to make the changes to the Statement of the Connection Charging Methodology (Issue 1.0 Revision 0) for implementation on **1 October 2001**.

2. TERMS OF THE ORIGINAL PROPOSED MODIFICATION

CCM-M-02 (a)

Description of proposed modification to the Connection Charging Methodology
None
Explanation of the issue
The terminology in the Statement of the Connection Charging Methodology needs to be updated in line with the new Standard Licence Conditions (electricity and gas) which come in to effect on 1 October. That is, to replace wording "Licence Condition 10B" with "Licence Condition C7B" and add the "Utilities Act 2000" where relevant.
Justification for proposed modification
To make the Statement of the Connection Charging Methodology materially correct.
Suggested alternatives
None.
Implementation date
1 October 2001
Proposed changes to the Statement of the Connection Charging Methodology
<u>About this Document, paragraph 3:</u> "The document has been published by NGC in accordance with Condition 40B-C7B of the Transmission Licence and it is approved by the Gas and Electricity Markets Authority (the Authority)."
<u>General Introduction</u>
<u>Paragraph 1:</u> "...NGC is required by the Electricity Act 1989, as amended <i>by the Utility Act 2000</i> , to develop....."
<u>Paragraph 2:</u> "Following the changes, Licence Condition 40B-C7B of the Transmission Licence States that:"
<u>Paragraph 4:</u> "Licence Condition 40-C7 also requires NGC to....."
<u>Paragraph 5:</u> "As part of Licence Condition 40B-C7B NGC has to ensure that the Connection Charging Methodology meets the relevant licence objectives for connection

charges.”

Glossary, page 64, paragraph 1:

“The following definitions are intended to assist the reader's understanding of this document. In the event of conflict with definitions given elsewhere, those used in the Electricity Act 1989 *(as amended by the Utility Act 2000)*.....”

Impacts on existing Connection charges

None.

Impacts on other Industry Documents

None.

CCM-M-02 (b)

Description of proposed modification to the Connection Charging Methodology
None
Explanation of the issue
The Utilities Act 2000 means that the supply and distribution activities of the PES companies shall be separated as 1 October 2000. The term PES will no longer be accurate and has to be updated to Public Distribution System Operator and Supplier. The terminology in the Statement of the Connection Charging Methodology needs to be updated in line with the PES split in to separate supply and distribution licences.
Justification for proposed modification
To make the Statement of the Connection Charging Methodology materially correct.
Suggested alternatives
None
Implementation date
1 October 2001
Proposed changes to the Statement of the Connection Charging Methodology
<i>Generation Only Spurs, paragraph 1.12:</i>
<u>Bullet point 1:</u> “Normally Public Electricity Supplier (PES) Public Distribution System Operator or directly connected customers’ connection charges care confined to.....”
<u>Bullet point 2:</u> “Overhead lines and cables are excluded in the calculation of generation connection charges if such overhead lines and cables are essential to connect demand at PES Public Distribution System Operator exit points;”
<u>Bullet point 3:</u> “Generation Only Spurs (i.e. where there is no PES Public Distribution System Operator exit point)”
<u>Bullet point 4:</u> “In the case of “multiple spurs” which serve to connect both generation and demand at PES Public Distribution System Operator exit points, where not all these circuits are required by security standard to serve the PES Public Distribution System Operator exit point, the more costly circuits are classed as connection. For the avoidance of doubt multiple spurs serving generation only will be treated as

connection assets; “

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Remove Footnote.

Glossary, page 66:

Addition of : “**Public Distribution System Operator: any holder of a distribution licence who was the holder, or is a successor to a company which was the holder of a Public Electricity Supply Licence relating to the distribution activities in England and/or Wales on the CUSC Implementation Date**”

Addition of: “**Supplier: a holder of an electricity supply licence**”

Impact on existing Connection charges

None.

Impacts on other Industry Documents

None.

Proposed Changes to the Connection Charging Methodology

The Connection Charging Methodology is not affected by these modifications.

Proposed Changes to the Statement of the Connection Charging Methodology

It is proposed that the Statement of the Connection Charging Methodology (Issue 1.0 Revision 0) be modified as above.

Indicative Impact on Connection Charges

None.

Impacts on Other Industry Documents

None.

3. RESPONSES TO THE MODIFICATION PROPOSAL

Comments and views were invited on all the issues raised in the Modification Proposal CCM-M-02.

National Grid has received two responses on this Modification Proposal:

Innogy

It was commented that the term "Utility Act 2000" in CCM-M-02 (a) is incorrect and should be "Utilities Act 2000".

British Energy

Further to the above consultation documents issued in respect of the above proposed modifications, British Energy are pleased to advise that having reviewed the proposals, it is clear that there is no material effect on the Connection Charging Methodology and therefore charges to NGC customers, and therefore we have no substantive objections to the proposals going forward for approval by the Authority.

However, we note that there are a number of 'Process' issues which arise from these proposals which require clarification for future proposal modifications:-

- We note the separate email of 19th September "Charging Statement Modifications Issued" (letter from Richard Court) in which the much reduced timetable for consultation is outlined as 'agreed by Ofgem.' It would be helpful if such information is also published on the relevant NGC 'information microsite' in the future in the event of variations to the 28-day consultation period for the avoidance of any doubt.
- We note too that of the three proposed modifications listed under M-01 and M-02, the 'Justification for the proposed modification' is to make the relevant documents 'materially correct.' We think therefore that there is a need to clarify the basis upon which these fairly minor changes are to be made and provide a distinction between NGC's licence requirement to make '**revisions**' to the Charging Statements to keep them "accurate in all material respects" and '**modifications**' which are subject to significantly increased, albeit largely subjective and undefined, criteria to satisfy (the "better" meet/achieve hurdles)

Perhaps there is merit in defining a distinction and therefore a separate 'revision' route?

4. CHANGES TO THE PROPOSAL IN LIGHT OF REPRESENTATIONS MADE

CCM-M-02 (a)

In the light of the responses received, National Grid intends to implement the Modification Proposal CCM-M02 (a) in its original format, with the following alteration of "Utility Act 2000" to "Utilities Act 2000" in the General Introduction, paragraph 1 and the Glossary, paragraph 1. The changes to the Modification Proposal are listed below:

General Introduction, paragraph 1:

"...NGC is required by the Electricity Act 1989, as amended **by the Utilities Act 2000**, to develop....."

Glossary, page 64, paragraph 1:

"The following definitions are intended to assist the reader's understanding of this document. In the event of conflict with definitions given elsewhere, those used in the Electricity Act 1989 **(as amended by the Utilities Act 2000)**....."

CCM-M-02 (b)

In the light of the responses received, National Grid intends to implement the Modification Proposal CCM-M02 (b) in its original format.

Consideration of responses

In relation to the comments raised regarding the process for these "clarification" modifications to the Charging Statements:

The Modifications page of the Charging web-site shows the timetable for all live modifications. In normal circumstances we would expect the default timetable of 28 days consultation to apply. When a shorter time-scale is required, we will endeavour to inform Users either at the TCMF or through the notification of the modification. The web-site shows reports of the TCMF meetings and any presentations made for those who cannot attend.

Ofgem have requested that National Grid follow a similar consultation process for changes to the Charging Statements (clarifications / updates) as that which we are required to follow for changes to the charging methodologies (i.e. underlying principles and methods). This is not strictly required under the Transmission Licence. However, following this process allows Users to see and comment on all changes that are to be made to the Charging Statements even those which are not affecting the charges or the principles and methods behind their calculation. For example, we would assume Users may have comments on the form of the words used in clarifications to ensure they are understandable to all.

The four issued modifications UoSCM-M-01, UoSCM-M-02, CCM-M-01 and CCM-M-02 are all clarification/updates to the Charging Statements and none of them are modifications to the underlying charging methodology. Hence the Relevant Objectives are not relevant.

We appreciate this may cause confusion and we will endeavour to make it clearer in future reports which are "clarifications" to the Statements and which are "modifications" to the charging methodologies to better meet the Relevant Objectives in the licence. This perhaps could be initiated by a different naming and numbering convention.

In future, we will name these type of changes to the Statements as "clarifications" with numbering as follows:

UoSCM-C-xx **For clarifications/updates to the Statement of the Use of System Charging Methodology**

CCM-C-xx. **For clarifications/updates to the Statement of the Connection Charging Methodology**

UoSC-C-xx **For clarifications/updates to the Statement of the Use of System Charges**

Modifications to the charging methodologies will be named and numbered with an M and be clearly marked as relating to the methodology

UoSCM-M-xx **For modifications to the Use of System Charging Methodology**

CCM-M-xx **For modifications to the Connection Charging Methodology**

Obviously if the methodology is being modified then this will require changes to the Statement of that methodology. These changes will be included within the methodology modification process.

5. HOW THE PROPOSED MODIFICATIONS BETTER MEET THE RELEVANT OBJECTIVES

The proposed modifications do not make any changes to the methodology and therefore have no impact on the Relevant Objectives.

6. TIMETABLE FOR IMPLEMENTATION

Subject to the Authority's power to veto this modification proposal, National Grid intends to make the changes to the Statement of the Connection Charging Methodology (Issue 1.0 Revision 0) for implementation on **1 October 2001**.

The new Statement of the Connection Charging Methodology will be numbered Issue 1 Revision 1.