

# Capacity Allocation & Reservation

## Webinar Event

**23<sup>rd</sup> September 2020**

**The Webinar will start shortly**



# Capacity Allocation & Reservation

## Agenda

- Who we are and our ambitions for today
- Background to implementation of policy surrounding capacity allocation and reservation
- Explanation surrounding key areas of policy development and what it means to connecting customers
- Summary – key points



# Capacity Allocation & Reservation

## Who we are

- Tim Hughes  
Connections Policy Manager



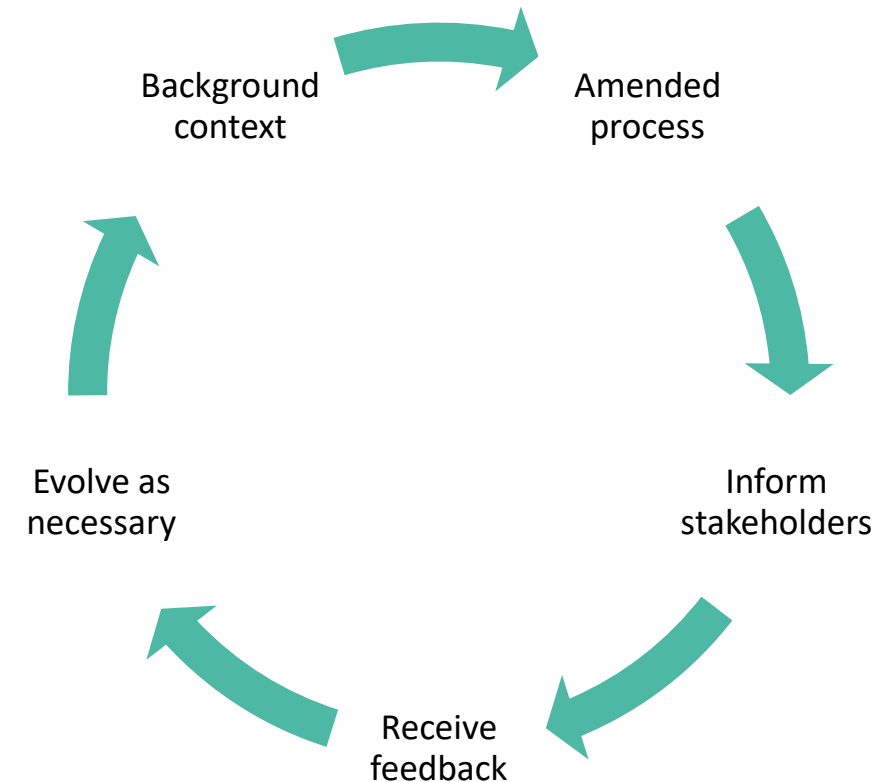
- Vanessa Buxton  
Connections Policy Engineer



# Capacity Allocation & Reservation

## Ambition for Today

- To provide some background to the need for amending existing policy
- To undertake a high level run through of our amended processes
- To inform stakeholders so that they understand what it means for them
- To receive feedback
- To review feedback



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## Interaction

You can raise questions;

- During this webinar, we will answer questions wherever practicable
- Via email to [wpdconnectionspolicy@westernpower.co.uk](mailto:wpdconnectionspolicy@westernpower.co.uk)

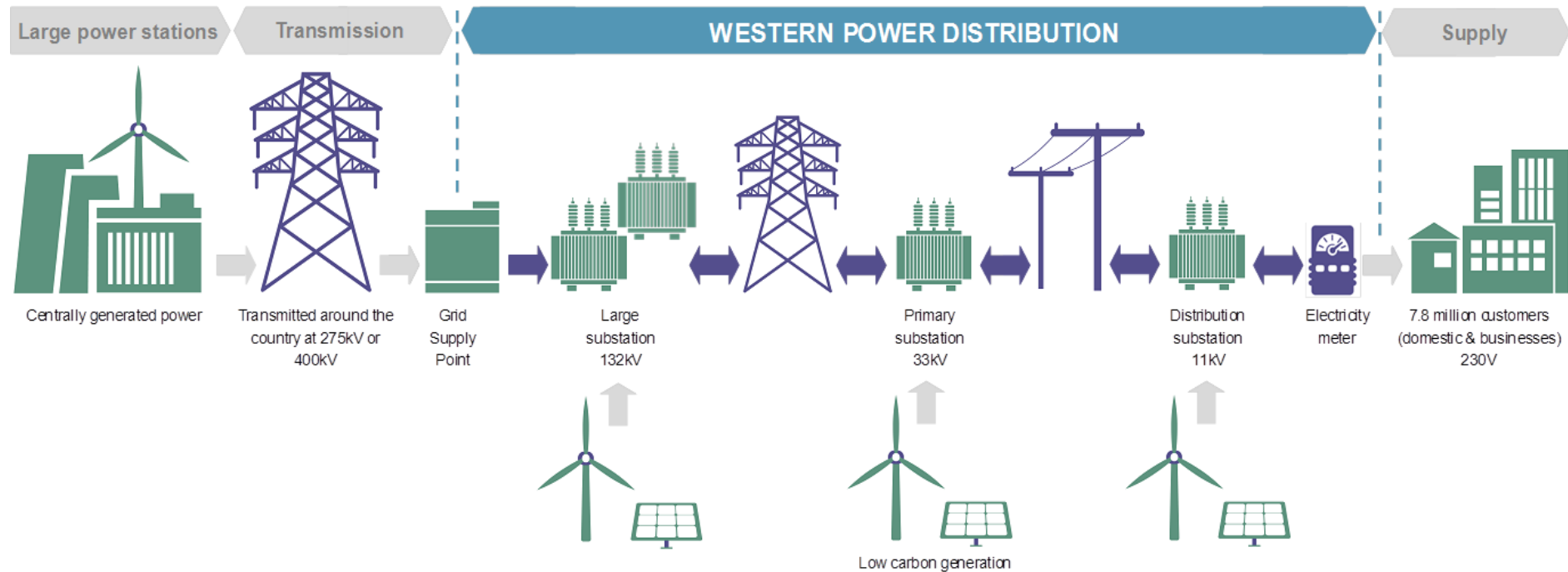
We will publish a recording of this webinar on our website at [www.westernpower.co.uk/capacity-reservation](http://www.westernpower.co.uk/capacity-reservation). We will also publish a Q&A to include questions raised during the webinar



# Capacity Allocation & Reservation

## Our role

To distribute electricity across our network area

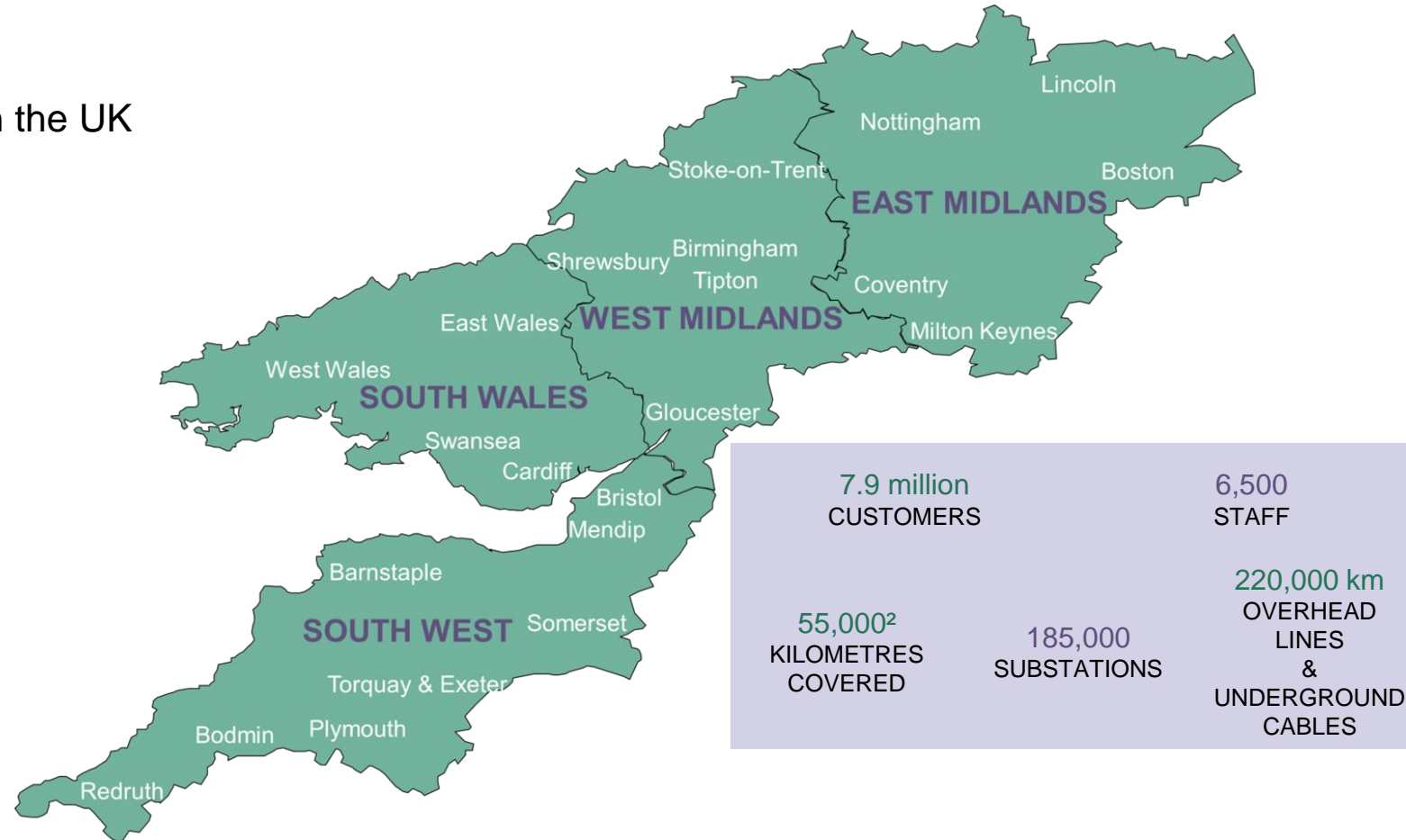


[westernpower.co.uk](http://westernpower.co.uk)

# Capacity Allocation & Reservation

## Our network area

Our network is the largest in the UK



[westernpower.co.uk](http://westernpower.co.uk)

# Capacity Allocation & Reservation

## Background

- We consulted with stakeholders in 2018 and issued a decision document outlining our responses
- In March 2019 we issued an outline policy report setting out our proposals for implementing new processes
- The implementation of the changes was deferred whilst we addressed customer concerns with our proposals.

Capacity allocation and reservation  
*A consultation on approach and best practice*

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# Capacity Allocation & Reservation

## Background

- At our connection workshop held in Birmingham in November 2019 the feedback was generally positive.

"WPD do still need that sanction to be able to remove that offer for those developments that don't exist"

"Your approach seems sensible to me. You have to manage the network and its capacity. I understand why WPD have chosen this approach"

"Over large sites, say for example, one with 1,000 units being built over five years, you get planning in phases, so you need scope for flexibility."

"Your new approach is welcome. It sounds good. Lost time during connection applications are a significant concern for us. You simplifying this part of the process will mean that this concern is removed"

"As an ICP our customers would not be happy knowing that they could potentially lose their load. But again, I understand why WPD have chosen this approach"

"We would be willing to accept an offer with year by year capacity release as long as we know what we're building to. For us 200kVA per year is perfect; we can only build 160 homes a year"



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## Background

- However concerns have been raised:

“We think the approach taken by WPD creates uncertainty for developers, unduly complicates the connections process and is not in the long term interests of consumers;”

“I can see where WPD are going with it as it is going to free some capacity up. It doesn't give us the certainty we need though.”

“We believe that charging the full costs of reinforcement and the application of capitalised operation and maintenance charges could result in double charging; i.e. once through the connection charge and again through DUoS charges as houses become connected.”

“WPD's interpretation of the types of housing development that will be treated as speculative is unreasonable and unfair. It is a significant change from that applied historically and markedly different to that applied by other DNOs.”



# Capacity Allocation & Reservation

## Background

- Further refinements have been made to the proposals which we will outline within this webinar.
- Our aim remains to ensure a fair allocation of capacity for ongoing developments whilst protecting the needs of all connecting customers.

### WPD Policy Decision

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

*March 2019*

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## Key changes to the original proposals

WPD has amended the policy position in the following areas:

- A. Speculative Developments and Cost Apportionment Factor
- B. Application of operation, repairs and maintenance
- C. Threshold for capacity reservation & allocation
- D. Provision of information at application stage
- E. Connection offer letter process
- F. Milestone requirements



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## Speculative Developments and Cost Apportionment Factor



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## Cost Apportionment Factor (CAF)

In the first instance, applications for large scale developments which include some level of connection requirements, either immediate or in future phases, will not be deemed as speculative. Cost Apportionment Factor (CAF) will be applied and customers will not be required to pay 100% towards proposed reinforcement.

## Operation, Repairs & Maintenance (OR&M)

Where a scheme would continue to be considered as speculative, we will no longer apply an uplift for the ongoing Operation, Repairs & Maintenance of the installed assets.

## What is speculative?

- **Provided developments meet the milestones and make progress, they will not be deemed as speculative.**
- **Speculative connection offers will continue to apply where there are no identified future connections, such as an 11kV extension along a spine road in preparation for land sale.**



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## Threshold for Capacity Reservation & Allocation



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## Threshold for applying the revised process

We have identified an appropriate threshold for triggering the revised processes taking account of the following considerations:

- LV only schemes are generally low risk given that they are for lower capacity and subject to shorter build out timescales
- A development consisting of more than 50 domestic premises will likely take more than a year to build out
- There is also a need for a capacity threshold since 3 x 1Ø commercial premises, for example, would have little impact

**Schemes not meeting the threshold will remain subject to the existing milestones for commencement and completion of works.**

### Threshold

- ✓ **Requiring 11kV works or above**
- ✓ **Requiring 50 domestic and/or 2 commercial premises**
- ✓ **Requiring a total development capacity exceeding 300kVA**





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## Provision of information at application stage



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## Provision of Information at Application Stage

We understand that stakeholders require a level of assurance that the capacity they have requested will be available at the time of need. We also appreciate that specific detail of the supply characteristics may be unknown at the time of securing capacity to support planning and funding requests.

In recognition of the stakeholders' needs, we have agreed to a revised set of rules on the minimum level of detail to be provided at application stage.

The design solution and associated connection charge will be based on the information known at the time of issuing the Connection Offer.

**Where the revised version of Minimum Information cannot be met, the customer will be able to request a budget estimate.**

## Minimum Information

- Type of Development (Domestic/Commercial/Mixed)
- Approximate number of properties by type
- Overall kVA required for the development
- Development boundary plan with indicative POS(s)
- Date initial connection to WPDs network is required



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## Detailed information requirements

The detailed information relating to connection characteristics and potentially disturbing equipment, meter locations, or other relevant information not provided with the initial application, will become due post acceptance in accordance with a revised set of milestones.

The information may be provided on a phase by phase basis where a draw down schedule is agreed for future phases of the development.

We will be under no obligation to commence the connection works for a particular phase ahead of receiving detailed connection requirements and checking that the design solution is fit for purpose.

## Allowable Changes

- Where the information provided does not trigger an increase in the reserved capacity, the provision of the more detailed information will be allowable.
- A variation may be provided where the detailed information triggers a review of the design solution.



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## Connection Offer Letters



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## Connection Offers

The terms to be included in the letter will be dependent upon the type of Connection Offer to be provided:

- Full proposed connection works for requested capacity
- Reservation of capacity only
- Reservation of capacity and infrastructure only
- Reservation of capacity, infrastructure and some proposed connection works
- Reservation of capacity and proposed connection
- Draw down from a previous reservation

## Key Definitions

- RoC – Reservation of Capacity
- Development Area – the full area for which capacity is required
- Capacity Customer – the customer entering into a RoC agreement
- Draw Down – the process by which capacity which has been reserved can be firmly allocated to a phase or phases of the development



# Capacity Allocation & Reservation

## Connection Offers

### Full proposed connection works for requested capacity

An offer for full proposed connection works is anticipated where the development is likely to be fully built out in less than 5 years. This aligns with the concept of 'Development Phase' in respect to IDNOs within the Charging Statement.

The Connection Offer will include all relevant milestones and exclude any reservation of capacity option. Capacity will be fully secured upon acceptance and released in line with the build out programme and, for IDNOs, in accordance with the ramp up within the BCA.

**Full capacity secured upon acceptance and retained subject to meeting the milestones and building out the development.**



# Capacity Allocation & Reservation

## Connection Offers

### Reservation of Capacity Options

An offer which reserves capacity may be provided where a large development will be built out in phases. The initial offer may include an element of works and the specific terms will depend on the level of works to be immediately provided.

- Reservation of capacity only
- Reservation of capacity and infrastructure only
- Reservation of capacity, infrastructure and some proposed connection works
- Reservation of capacity and proposed connection

**Full capacity reserved and released in blocks associated with the draw down schedule.**



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## Connection Offers

### Draw down from a previous RoC Connection Offer

This Connection Offer seeks to draw down from capacity which has previously been reserved. An application with the details for the specific phase should be submitted and include confirmation that the request will draw down from a previous reservation and the original WPD reference.

Upon acceptance the capacity secured for the phase will be deducted from the reserved capacity. This process will continue until all of the reserved capacity is utilised or the RoC Connection Offer is terminated.

**Reserved capacity is released to the specific phase and is retained subject to meeting the milestones and building out the development.**





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## Milestones



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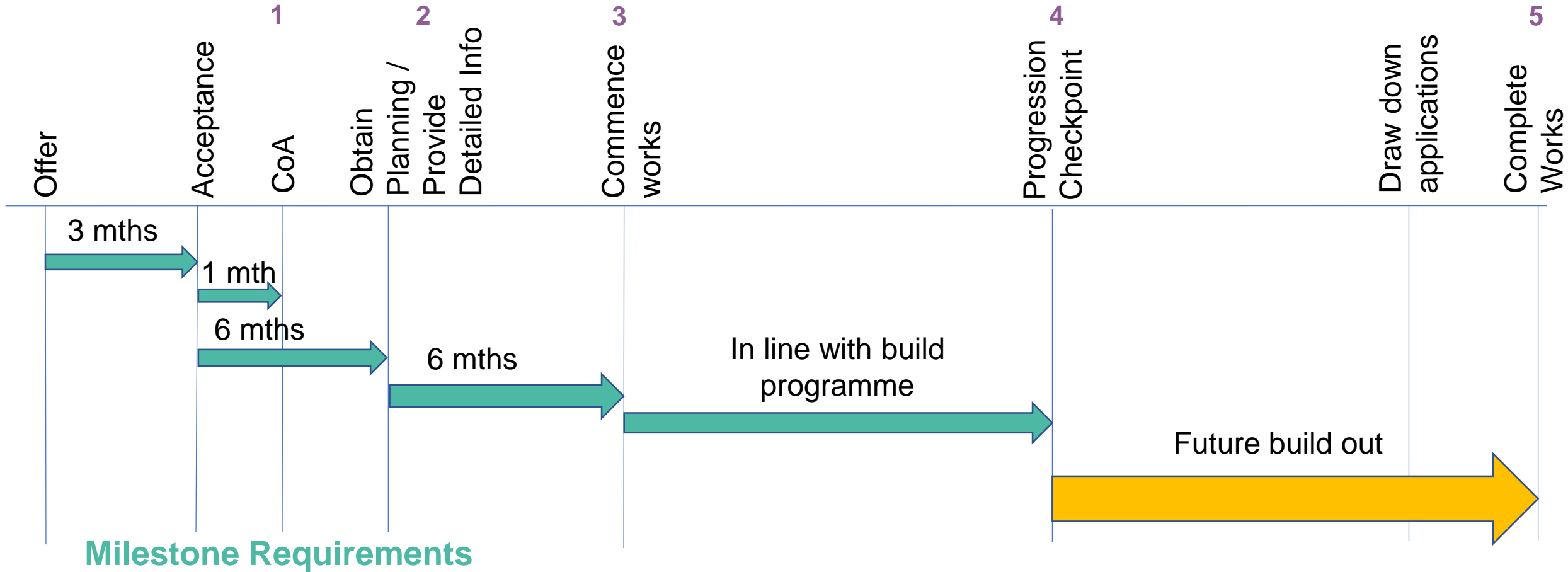
## Milestone Requirements

A revised set of milestones will apply to schemes meeting the threshold

	Milestone	Target timescale
1	Confirmation of appointment	Within one (1) month of acceptance
2	Obtain planning consents, provide detailed information and draw down schedule	Within six (6) months of acceptance
3	Commence Works	Existing milestone
4	Project Progression	In line with project programme
5	Complete Works	Timescale to align with build out programme for full development



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## Draw Down Schedule for Reserved Capacity

The draw down schedule will need to be agreed within six months of Acceptance

The customer should submit their proposed draw down schedule for the full development. We anticipate the gaps between phase commencement would be no more than 5 years.

Phase Details		Capacity required for this phase (kVA)	Draw-down application due date	Draw-down Accepted date
No	Free text field	Number format	Date format	Date format
1				
2				
3				
4				
5				
6				

## Agreeing the Draw Down Schedule

- The proposed draw down should be mutually agreed.
- A letter will be issued to the customer to formally agree the proposed draw down schedule.



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## Milestone Requirements

### Effects of missing a milestone

- If a milestone is missed, we will contact the customer to provide opportunity to evidence that they are making progress towards meeting the milestone. We will not seek to withdraw offers from developments which are continuing to make progress
- Where progress is being made, we may issue a variation to the existing Connection Offer, including to extend the milestone target date
- If the customer is unable to evidence progression to WPDs satisfaction we may terminate the Connection Offer
- If the customer has missed a draw down target date to apply for a specific phase, we will contact the customer to determine the reason. However, we reserve the right to terminate the Connection Offer where capacity is not drawn down



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## Drawing Down from Reserved Capacity



# Capacity Allocation & Reservation

## Drawing Down from Reserved Capacity

To draw down from reserved capacity, the applicant must:

- Apply on or before the relevant draw down date for that phase
- Include confirmation that they wish to utilise reserved capacity, quoting the original WPD reference
- Provide a letter of authority to utilise the reserved capacity where they are not the Capacity Customer

## Draw Down requests

- Each draw down offer will be subject to its own individual set of milestones to ensure the phase is making progress
- Detailed information will be required for all connections within the requested phase. Where not provided in the application, a variation may be triggered should the detailed information result in a change to the design solution.



# Capacity Allocation & Reservation

## Summary and Next Steps





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## Summary and Next Steps

### Summary

- We will update the application form to capture details for when a customer wishes to draw down from reserved capacity
- We will implement a revised connection offer letter with new terms associated to Reservation of Capacity, future draw down and the revised set of milestones
- We will publish a guidance leaflet which summarises the changes

### Implementation

- Proposed implementation date for the changes is the end of September.

## FURTHER QUESTIONS

If you have further questions following this webinar, please contact us at:

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

