



# Capacity Allocation & Reservation Briefing

Webinar Event

1:30pm Monday 17th June 2019

The Webinar will start shortly

# Agenda

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

## Who we are

- Tim Hughes  
Connection Policy Manager
- Richard Allcock  
Connection Policy Engineer
- Vanessa Buxton  
Connection Policy Co-ordinator



## Our ambition for today

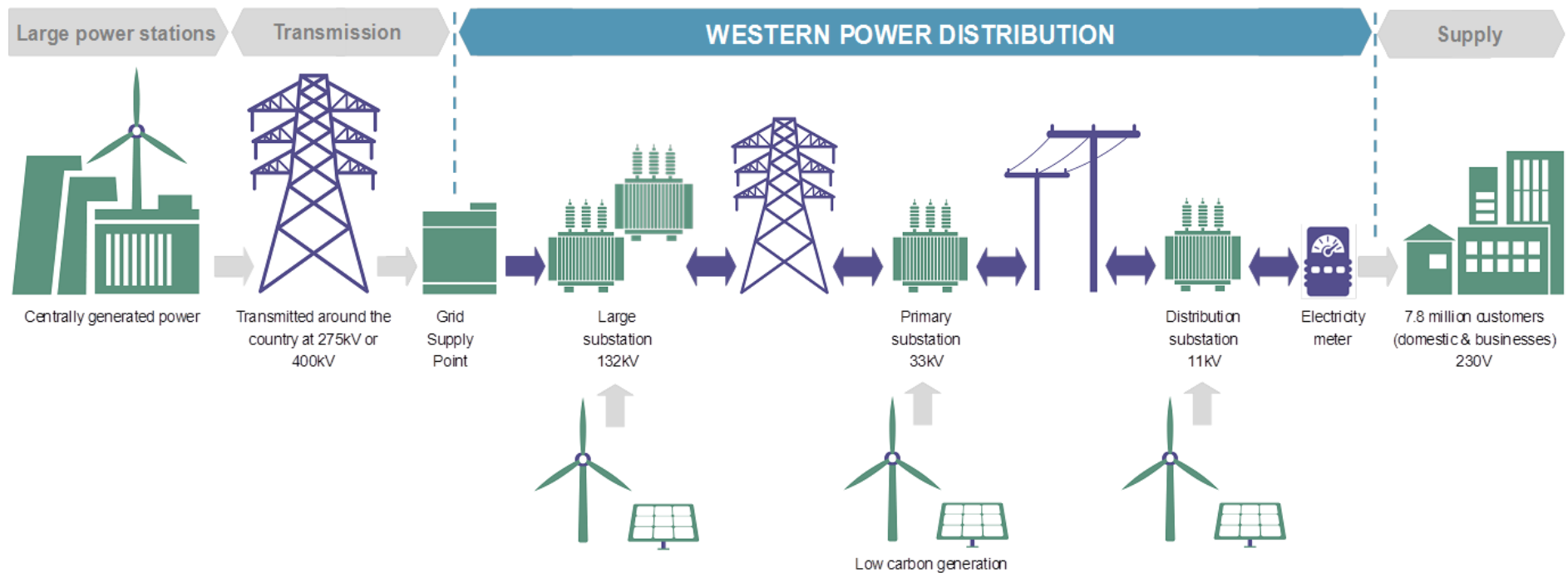
- To provide some background to the need for amending existing policy
- To undertake a high level run through of our amended processes
- To inform stakeholders so that they understand what it means for them
- To receive feedback from you

# Interaction

- We want to hear from you
- You can raise questions during this Webinar
- A recording will be available
- Email us at: **[wpdconnections@westernpower.co.uk](mailto:wpdconnections@westernpower.co.uk)**
- We will endeavour to answer all your questions

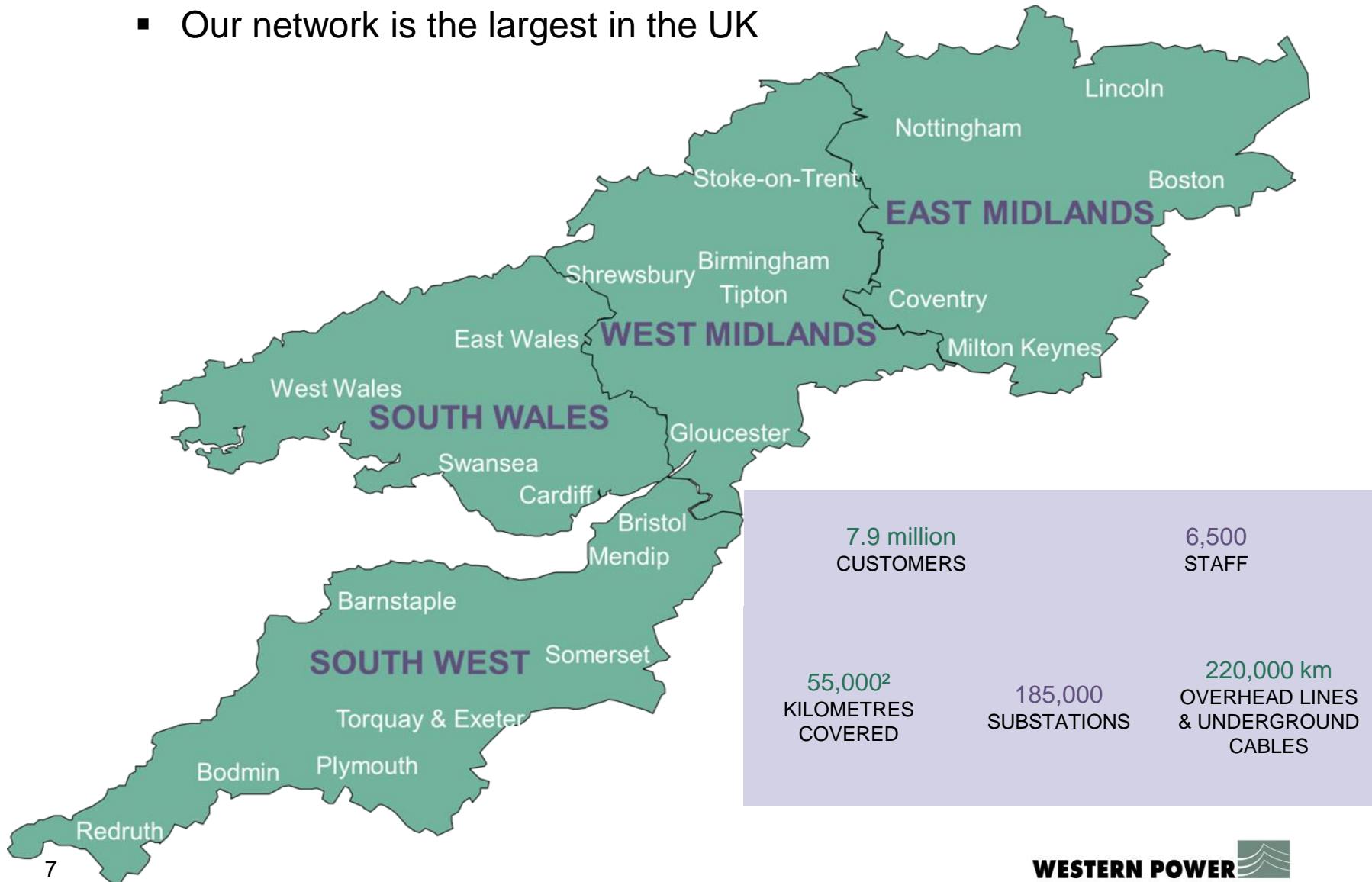
# Our role

- To distribute electricity across our network area



# Our network area

- Our network is the largest in the UK



# Background to implementation of policy surrounding capacity allocation and reservation



## Our overall aim:

### A fair allocation of capacity

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

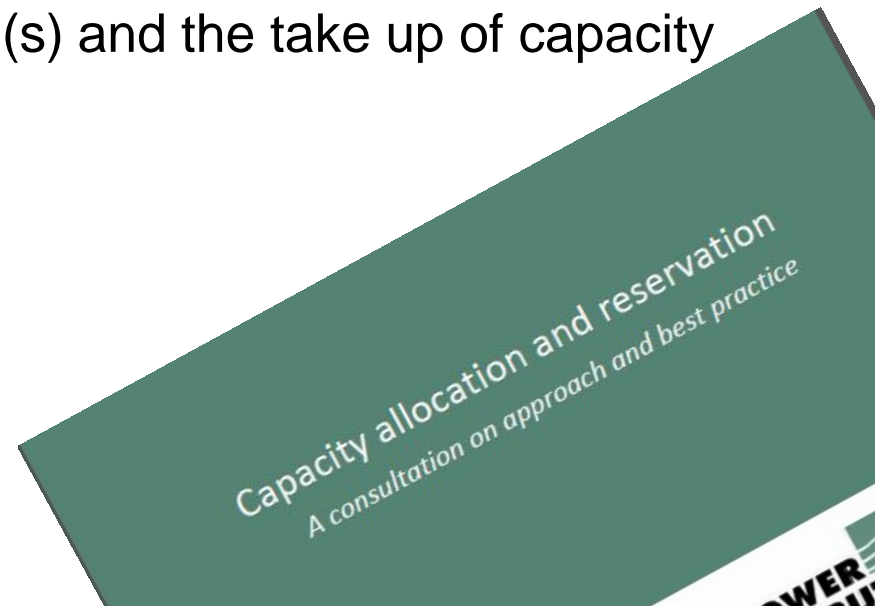
### Protecting the needs of all

- to provide those customers who hold an offer for connection (the 'Connection Offer') with a reasonable level of assurance that the capacity that they have requested will be available for their use during a prescribed period whilst, at the same time, protecting other customers who have a more pressing requirement for capacity, by seeking to mitigate the potential of having to pay higher connection charges for reinforcement works deemed necessary due to existing capacity being reserved by others

# The Consultation

In our consultation we focused on three key stages in the process to provide capacity for new connections customers;

- **Application** for connections and their required capacity
- **Acceptance** of offer for connection(s) and the required capacity
- **Energisation** of the connection(s) and the take up of capacity



# The Principles

We consulted on a key set of principles that we believe are important to the fair allocation of capacity

- **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.

# The Update Report

- In August 2018 we issued an update document outlining the responses to our consultation
- Respondents were generally supportive and in agreement with the principles laid out
- There were concerns around the impact of restricting the ability to reserve capacity on large long-term developments and a call for WPD to be flexible in its approach
- We committed to proceed with the development and implementation of a set of processes and procedures which sought to ensure a balanced approach to these wide ranging stakeholder views

WPD Decision Document:  
An update report on our  
Consultation on Allocation and  
Reservation of Capacity

# The Decision Document

- In March 2019 we issued an outline policy report setting out our proposals for implementing new processes
- This document focuses on seven areas that we believe are keys to success of managing such an arrangement
- We have taken each of these key areas and developed policy around them
- Our aim is to implement revised policy by the end of July 2019



# The seven key areas

# The key areas

What are the key areas:

- 1. Application information requirements** – we will clarify the Connection Offer process according to the level of information provided at application
- 2. Confirmation of Appointment** – we will require a confirmation of appointment letter from the applicant to substantiate their relationship with the landowner/developer
- 3. Connection Offer milestones** – we will extend the existing milestones to monitor scheme progression
- 4. Development Phase** – we will clarify the scope of the Development Phase
- 5. Capacity reservation rules** – we will allow applicants to reserve capacity post energisation using a two-tier system
- 6. Speculative developments** – we will clarify how we charge for speculative developments
- 7. Infrastructure Offers** – we will broaden the use of Infrastructure Offers

# Scheme types affected by our revised policy

The amended policy will apply only to the following scheme types:

- 1. Primarily metered demand based schemes** – i.e. non-generation
- 2. Schemes requiring HV/EHV/132kV work** – schemes requiring only LV works will be excluded, including those requiring diversionary/reinforcement work at higher voltage
- 3. Schemes involving more than 20 domestic connections** – unless they require only LV works in which case they will be excluded
- 4. Schemes involving more than 2 commercial connections** - unless they require only LV works in which case they will be excluded
- 5. Schemes with mixed domestic/commercial connections** – that meet 1 & 2 and either 3 or 4 of the above. Any others will be excluded



# KEY AREA 1 – Application information requirements

*“We will require a minimum level of information on applications for connection before we will issue a formal Connection Offer to enable capacity to be secured”*

- To enable capacity to be secured under a Connection Offer we will require certain information to be provided with the application for connection
- This information will allow us to undertake a proper assessment and design for the connections
- If we receive all the information we require to make a complete assessment the application will be considered as **‘Non-speculative’** in nature and we will issue a ‘firm’ Connection Offer
- If a customer cannot provide all the information we require to make a complete assessment their application will be considered as **‘Speculative’** in nature and we will issue a Connection Offer on different terms

# Application information requirements (continued)

The information that we will require in order to provide a ‘non-speculative’ connection offer is set out below

Information required for a firm connection offer	All works by DNO	Contestable works by ICP for DNO adoption	Contestable works by ICP for IDNO adoption
Type of development (domestic/commercial/mixed)	✓	✓	✓
Number of properties by type	✓	✓	✓
kVA requirements per premises	✓	✓	✓
Site plan	Location plan and detailed plan of site layout with individual premises and meter locations	Location plan and detailed plan with individual premises and meter locations	Development boundary plan and detailed plan of site layout of individual premises and location of preferred POC if known and POS (or multiple POS if required)
Build programme	Number of connections each year	Number of connections each year	Number of connections and capacity ramp up each year
Extent to which contestable services will be carried out by the ICP	N/A	✓	✓

Additional information required (where available) to ensure an accurate connection offer	All works by DNO	Contestable works by ICP for DNO adoption	Contestable works by ICP for IDNO adoption
Specification of proposed generation	✓	✓	✓
Specification of electric vehicle charging equipment	✓	✓	✓
Specification of other potentially disturbing equipment	✓	✓	✓

# Application information requirements (continued)


- Completion of our standard application form ensures that required information is provided from the off and there is no delay
- You can complete an application for connection on-line via our website: [www.westernpower.co.uk](http://www.westernpower.co.uk)
- You can also download the Application Form and either post or email it to us
- ICPs can register to use our [ICP connections portal](#)

## Application for a New / Augmented Connection


Suitable for:  
5 or more domestic connections  
Single commercial connections 70kVA and above  
Multiple commercial connections

**WESTERN POWER DISTRIBUTION**  
*Serving the Midlands, South West and Wales*


On receipt of your application and all relevant information, we will provide you with a quotation for the works which will include costs for:




**Installation of the electrical equipment:** We will provide the connection from our existing network up to your meter position.



**Excavation:** You have the option to dig on your own land if you wish. We will carry out any excavations on the public highway.




**Traffic Management:** Local Authority and set up fees if we need to dig in the public highway.




**Meter Cabinet:** We can supply this. Your builder will need to install it before we carry out the connection works.

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Other services you may need to budget for:




**Meter Installation:** Fee from your energy supplier to provide and fit a new meter.



**Electrician:** You will need to arrange for a suitably qualified electrician to carry out any internal wiring.



**On Site Excavation:** If you have chosen to carry this out yourself.



**Builder:** To install your meter cabinet.

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**Typical costs and timescales**  
Each application is individually assessed and costs are determined in line with our Connection Charging Methodology Statements. The table below provides an indication of the typical cost and timescales for connection:

Connection Type	When will I receive my quotation?	Typical cost	Typical time to get a connection from payment
5 or more domestic connections*	Within 25 days	£6,000	6 weeks
Single small business connections 70kVA or above Multiple small business connections**	Within 25 days	£9,500 +VAT	6 weeks
Typical large business connection (HV)	Within 35 days	£29,000 +VAT	14 weeks
Extra high voltage connection	Within 65 days	Price on request	2 years

\*Based on typical 5 connections with service works only  
\*\*Based on 2 connections with LV service works only

For further information regarding the potential cost of your connection please consult our basic pricing tool at [www.westernpower.co.uk/Connections/Basic-pricing-tool.aspx](http://www.westernpower.co.uk/Connections/Basic-pricing-tool.aspx)

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**Any questions?**  
Call our Contact Centre on:  
**0800 096 3080**  
(Bam to 6pm Monday to Friday)

**Did you know?**

You can get a quotation from an Independent Connection Provider (ICP) or Independent Distribution Network Operator (IDNO) for your electricity connection. We can provide you with a complete connection service but you may also ask an ICP or IDNO to undertake some of the works (known as the 'contestable works').

Find out more:  
[www.westernpower.co.uk/Connections/Competition-in-Connections](http://www.westernpower.co.uk/Connections/Competition-in-Connections)

# KEY AREA 2 – the Confirmation of Appointment

*“A Letter of Authority will be required to establish the relationship of an applicant with the landowner/developer”*

- To confirm the scope of the development area for which the landowner/developer has engaged the applicant, the Confirmation of Appointment (CoA) will reference capacity requirements, property numbers and include a plan
- To ensure that our processes do not unduly hinder the application process, we will require a CoA following acceptance of a Connection Offer. The requirement to provide a CoA will be embodied within the milestones contained within the Connection Offer
- We will require a CoA:
  - ✓ Where the customer is not the landowner and/or developer requiring the end connections
  - ✓ For demand (or predominantly demand) Connection Offers for developments requiring HV/EHV works for more than 20 domestic properties or commercial developments for more than 2 properties

## KEY AREA 3 – Connection Offer milestones

*“We will extend the existing milestones thus strengthening our ability to ensure that projects which are not progressing do not unreasonably withhold capacity that may be utilised by others in the connections queue”*

- We have adopted some of the milestones currently in use in our Generation Connection Offers and applied them to our ‘Demand’ Offers based upon principles set out within ENA Best Practice Guide
- The purpose of the milestones is to ensure efficient allocation of network capacity to customers. The milestones will provide us with the contractual basis to remove customers from the connection queue if their project is not progressing
- We will endeavour to combine consistency of approach whilst showing some form of flexibility in allowing the extension of milestones where it is satisfactorily evidenced that an applicant has shown to be actively progressing a scheme which has a substantive chance of completion

# Connection Offer milestones (continued)

## Confirmation of Appointment

- We will require the CoA within **one month** from the date of the Acceptance Form
- The letter should confirm;
  - i) that the person providing the CoA has appropriate permissions and/or rights to develop the premises;
  - ii) that they give permission for the customer to enter into an agreement for the connection works;
  - iii) the extent of the premises by attaching a plan clearly showing the development boundary, the capacity requirements and the number of connections;
  - iv) agreement that, if at any time they withdraw their permission, they will notify WPD of such withdrawal in writing.

# Connection Offer milestones (continued)

## Planning Consent

- The customer shall evidence that planning consent for the development has been granted within **three months** from the date of the Acceptance Form
- In this context full planning permission must be given by the local planning authority
- Outline planning permission (with Reserved Matters) will not normally be enough

# Connection Offer milestones (continued)

## Commencement of works

- The customer shall commence the Connection Works within **six months** from the date planning permission has been granted for the Customer's Installation and the Connection Works or from the date of the Acceptance Form, whichever is the later
- In this context 'Connection Works' are works undertaken either by WPD or by the customer (or their appointed agent) directly in relation to the provision of electrical infrastructure
- The milestone can be extended in the event that the milestone is missed as a direct result of an act or omission of WPD
- The customer must provide a programme of works showing the roll out of the development (typically in the form of a Gantt chart)



# Connection Offer milestones (continued)

## Initial Energisation

- The initial energisation shall, for infrastructure and IDNO schemes, be completed within **12 months** from the date planning permission has been granted for the Customer's Installation and the Connection Works or from the date of the Acceptance Form, whichever is the later
- The initial energisation date will be the trigger for commencing the capacity reservation period for infrastructure schemes and capacity ramp up for IDNO schemes

# Connection Offer milestones (continued)

## Progression Checkpoint

- The customer shall evidence within **24 months** from the date of commencement of the Connection Works that the scheme is progressing in accordance with the programme of works
- If the Connection Works are incomplete at the **24 month** milestone the Customer may request a renewal of the Connection Offer to cover the outstanding Connection Works
- If the customer requests a renewal within 28 days of receiving notice, WPD will issue a Connection Offer Renewal for the outstanding works based upon prices at the time of issue and the customer may keep their place in any connections queue. We will reserve the right to amend the design and associated costs as necessary
- Where the outstanding works will take less than one year to complete, a variation may be offered. This does not require a further project progression checkpoint but will have a completion date milestone no more than 12 months from acceptance of the variation

# Connection Offer milestones (continued)

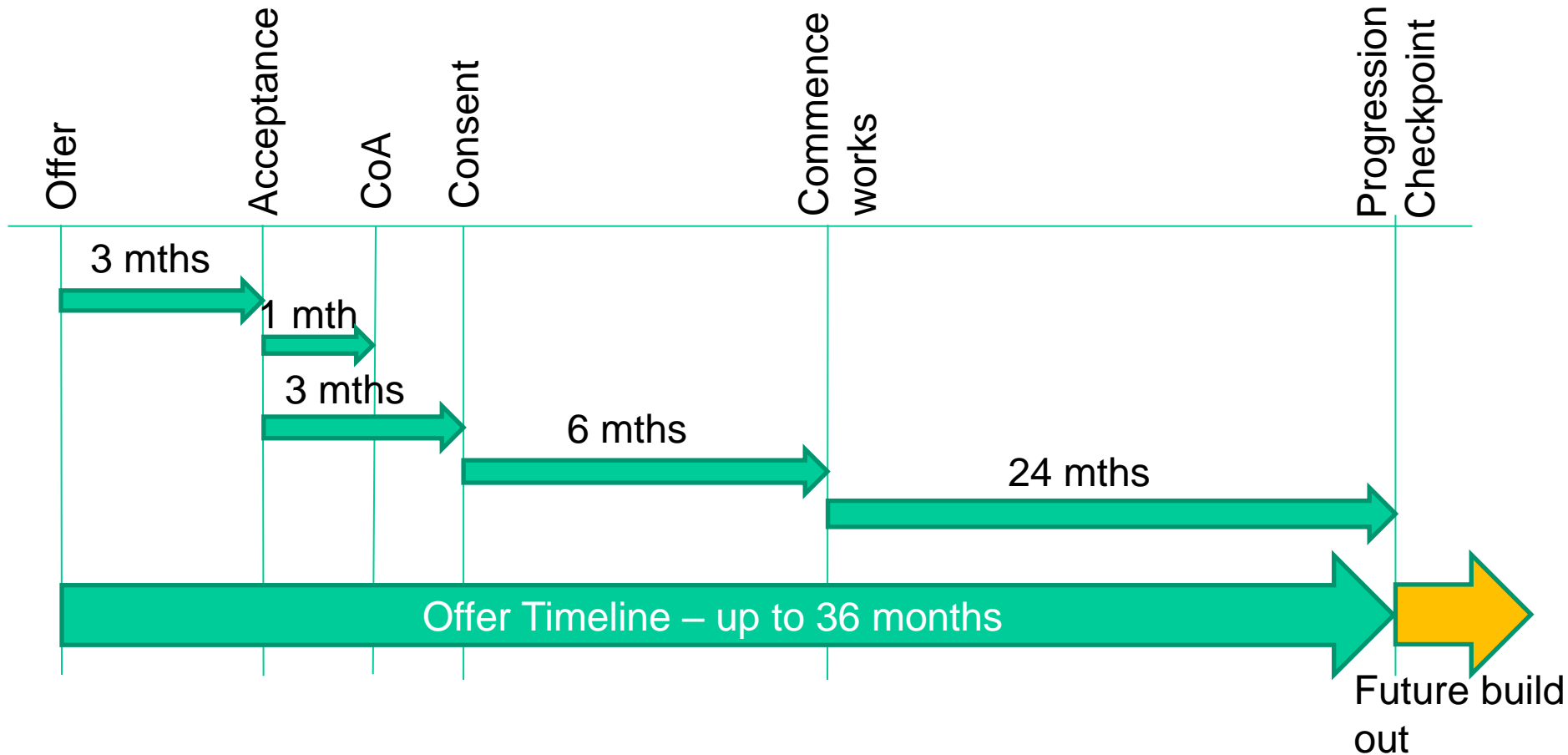
## Completion of works

- The Connection Works must be completed within the timescales agreed under the programme of works which should be commensurate with the size of the development
- The timescale for completion will typically be 5 years from the point of first energisation but shorter periods may be agreed for smaller schemes and longer periods may be agreed for larger schemes
- The milestone can be extended in the event that the milestone is missed as a direct result of an act or omission of WPD

# Connection Offer milestones (continued)

## Connection Offer/Agreement timeline

- The diagram below shows the Offer timeline



# Connection Offer milestones (continued)

## Effect of missing a milestone

- If a customer misses a milestone due to their own act or omission we will contact them and ask them to evidence progression
- If the customer is unable to evidence progression to WPDs satisfaction we may terminate the Connection Offer and, if the customer wishes to progress the scheme, they will need to re-apply. Any unspent money will be refunded.
- If the customer can evidence progression against the milestone to our reasonable satisfaction we will issue a variation to the existing Connection Offer

## Key area four – Development Phase

*“We will clarify the basis upon which applicants can ramp-up capacity requirements for up to five years post energisation”*

- The Development Phase is applicable to IDNO schemes which can evidence firm requirements to secure capacity within a BCA
- DCP294 sought to ensure that the right to vary the capacity of a connection between DNOs and IDNOs was formalised and that any such variation considered the Development Phase of such a connection
- Connection Offers signpost a mechanism set out under the enduring Bilateral Connection Agreement to allow WPD and the IDNO to review capacity requirements and, where appropriate, propose a revised capacity
- A review may be undertaken on each or any anniversary of initial energisation to discuss actual take up of capacity against that predicted under ramp up and anticipated capacity requirements over the following year
- At the end of the Development Phase we may seek agreement to revise the capacity attributed to the site (non-speculative connections only).

# KEY AREA 5 – Speculative developments

- “Speculative Development” is defined within the Common Connection Charging Methodology (CCCM) provided in Schedule 22 of the Distribution Connection and Use of System Agreement:-

- “1.39 Developments which have one or more of the following characteristics may be considered as speculative:-*
- *their detailed electrical load requirements are not known;*
  - *the development is phased over a period of time and the timing of the phases is unclear;*
  - *the capacity requested caters for future expansion rather than the immediate requirements of (an) end user(s);*
  - *the capacity requested caters for future speculative phases of a development rather than the initial phase(s) of the development; or*
  - *the infrastructure only is being provided, with no connections for end users requested.*
- 1.40 Where we are asked to provide a connection to a speculative development then the cost of the work including any Reinforcement is charged in full and the CAFs do not apply. Additional charges to reflect ongoing operation, repair and maintenance costs may also be levied.”*

# Speculative developments (continued)

*“We will charge an applicant 100% of any reinforcement costs and charge a capitalised sum for future operations, repairs and maintenance of the distribution system where the development is deemed to be speculative”*

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



## KEY AREA 6 – Infrastructure Offers

*“We will utilise an Infrastructure Offer for use on large domestic or commercial developments where the long term requirements are not fully known and are therefore speculative”*

- In some instances, the specific detail required when requesting a formal Connection Offer, such as site layout or specific capacity requirements of end users, will be unknown. Developers may however wish to have network assets installed in preparation, for example during the construction of spine roads
- Where infrastructure is requested, it is important to recognise that customers will require some assurance that, having made an investment in to network assets, the capacity required for future connections will be available for their anticipated use
- We have developed a Connection Offer specific to infrastructure schemes (the ‘Infrastructure Offer’) which sets out the terms for the installation of the required assets and reserving the requested capacity

# Infrastructure Offers (continued)

- The Infrastructure Offer will set out the timescales for which capacity will be reserved and the method by which subsequent connection requests may utilise the reserved capacity
  
- The Infrastructure Offer will include the following:
  - ✓ The charge to be paid by the customer to provide the requested infrastructure, including an uplift for the operation, repairs and maintenance of infrastructure assets
  - ✓ A development plan defining the development area intended to utilise the reserved capacity and the point of connection for the proposed infrastructure
  - ✓ The reserved capacity and the term (period of time) for which it may be reserved
  - ✓ The process by which subsequent connections may request a Connection Offer which utilises reserved capacity
  - ✓ Confirmation that, in the absence of end connections, the Electricity (Connection Charges) Regulations do not apply

## KEY AREA 7 – Capacity reservation rules

*“We will allow applicants to reserve capacity post energisation using a two-tier system based upon the level of financial commitment they have made”*

- We will facilitate capacity reservation using a two tier method based on whether the capacity is provided from the existing network or from newly constructed assets
- Where the capacity is on the existing network by virtue of existing network assets having unutilised capacity available, then this capacity is made available to new connection or infrastructure schemes without a financial contribution, and as such we will only facilitate a reservation period of 5 years
- Where the capacity is provided by new sole use and/or reinforced assets and a customer has made a contribution to the construction of the assets, then we will facilitate a reservation period of up to 10 years in-line with the timescale prescribed in the Electricity (Connection Charges) Regulations 2017 recognising the financial commitment made by the customer

# Summary and Next steps

## Summary points

- Our aim is to develop improved processes that will;
  - ✓ allow the fair allocation of capacity for customers
  - ✓ provide those customers who hold a Connection Offer with a reasonable level of assurance that the capacity that they have requested will be available for their use during a prescribed period
- We will implement policy having regard to seven key principles for capacity allocation and reservation
- Policy will come in to effect on 1<sup>st</sup> August 2019
- A recording of this webinar will be made available on our website

Thank you for taking part  
Any questions?

Email:

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