

WPD Guidance on implementation of Connection Offer Expenses under the Electricity (Connection Offer Expenses) Regulations 2018

Applicable from 1st May 2018

Background

On 6th April 2018 the Electricity (Connection Offer Expenses) Regulations (the 'Regulations') took effect. These Regulations will allow Distribution Network Operators (DNOs) such as WPD to recover costs incurred when undertaking assessment and design work even where the customer does not accept the connection offer. Up to this point, DNOs had only been able to recover these costs directly where the customer had accepted their connection offer.

The Regulations have been implemented following an extended consultation process involving the energy regulator - Ofgem, the Department for Business, Energy & Industry Strategy, DNOs and interested industry stakeholders. The consultation process centred around the fact that not allowing DNOs to charge connection offer expenses to applicants who did not accept a connection offer had a significant and growing detrimental effect on connection customers more generally. It was argued that not being able to charge these applicants for connection offer expenses had contributed to a significant increase in speculative connection applications, requiring DNO resources to process them.

Where a DNO needs to provide connection offers for applications that are speculative in nature this has the effect of 'tying up' network capacity until an applicant responds to the offer. This capacity could otherwise be allocated to subsequent applicants. The Regulations have sought to reduce the number of speculative applications, direct DNO resources where they are most needed whilst ensuring the customer is protected from incurring unreasonable costs.

Summary points of the Regulations

The following sets out the summary points of the Regulations.

- The Regulations take effect on 6th April 2018 although DNOs may choose to defer implementation.
- The Regulations apply to any application made under section 16A(1) of the Act. They do therefore impact on all applications for connections including demand, generation, metered and unmetered. They do not apply to recharge only works, including requests for disconnection.

- The Regulations allow DNOs to recover costs, reasonably incurred whilst undertaking an assessment of the impact of the proposed connection on the network, designing the connection works and preparing the connection offer.
- The DNO may not require payment before any connection offer expenses are incurred.
- Before a DNO can obtain payment of the connection offer expenses it must notify the applicant in writing before incurring those expenses. The notice must:
 - (a) specify the amount to be paid by the applicant;
 - (b) give sufficient information to enable the applicant to understand how the amount has been determined;
 - (c) specify when payment must be made and how payment may be made; and
 - (d) include a statement of the effect of section 23 of the Act (disputes).

A copy of the Regulations may be viewed on the UK Legislation website:

www.legislation.gov.uk/uksi/2018/254/pdfs/uksi_20180254_en.pdf

What it means to you as a WPD customer

DNOs are able to apply connection offer expenses to cover costs they reasonably incur when assessing the impacts of the proposed connection on the distribution/transmission system, designing the connection (including any reinforcement works) and preparing the connection offer. WPD will;

- i) from 1st May 2018, charge you ahead of your acceptance for the time we spend preparing the connection offer
- ii) initially only implement the process for demand and generation schemes that include an element of works at 22kV and above (EHV)
- iii) continue to provide Budget Estimates free of charge at this time
- iv) require payment even if you do not accept the connection offer
- v) invoice you at the same time as we issue the connection offer and you will be required to make payment within 28 days of the date of the invoice

We have limited the implementation of changes to the way we recover connection offer expenses specifically to larger schemes that require an element of works at 22kV and above. This is partly because this is the area that we see the highest amount of speculative applications that ultimately do not proceed, meaning we are unable to recover the costs directly from the person that has caused those costs to be incurred and partly because we want to monitor the impact of the changes before we decide how to proceed further. We will review the success or otherwise of our targeted approach which will inform our decision on the application of connection offer expenses in the future.

What charges will be applied?

The amount we charge will vary according to the complexity of the scheme based upon your requested capacity and the type of assets required to enable the connection. They will also vary according to whether you require a connection offer for WPD to undertake all the works or for WPD to undertake only the non-contestable works and you employ an independent connection provider to undertake the rest.

The charges we apply can be found in Section 7 of our Statement of Methodology and Charges for Connection to the Distribution System and the current charges are replicated below. You can view our statement via the following link:

<https://www.westernpower.co.uk/Connections/New-Connections/Connections-Charging-Statements.aspx>

Notification of the application of the Connection Offer Expenses

We will contact you shortly after receiving your application to discuss your plans and then let you know the potential for EHV works to be required. Please note, that if you decide you no longer want to pursue your application and you notify us in writing within 10 working days of receiving our notification, we will not charge you. If you cancel after that time we may charge you for any costs reasonably incurred up to the point of notification.

Queries

If you have any queries regarding the application of the charges please contact the Design Engineer notified to you as being responsible for your application. If, following discussion, you are not satisfied with our response and we cannot resolve the matter you may escalate it further. Our complaints procedure is available to view on our website www.westernpower.co.uk If you do not feel we have dealt with your complaint satisfactorily you may also refer the matter to the Authority for determination in accordance with section 23 of the Electricity Act 1989.