DCUSA Issues Form (DIF)

This form should be used by parties to submit matters for consideration to DCUSA Standing Issues Group (SIG). The completed form should be issued to DCUSA@electralink.co.uk

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Issue Title:	Anti-competitive charging of Third Party DNO works to transmission connecter users
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**Assigned by DCUSA Secretariat*

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Nature of Issue

Unfair and anti-competitive charging of Third Party DNO works to transmission connected users – DCUSA Part 1 Matter:

- A transmission connected customer (typically generation or energy storage) may be obliged to undertake a CUSC Third Party Works assessment with an affected Third Party (typically a DNO/DSO) as a condition of their contract with the NETSO
- This process is governed by the CUSC and is currently being refined by CMP328.
- The CUSC does not and cannot govern the basis of DNO Third Party Works charges arising from the impact of transmission connected users.

- The CCCM sets out DNO charging methodology for DNO connected customers and is governed by DCUSA. There is currently no mechanism to apply the CCCM to transmission connected customers who are not applying for a distribution connection pursuant to s16 of the Electricity Act.

- The principles of the Common Connection Charge Methodology (CCCM) include cost apportionment, whereby a distribution connected customer will only pay an amount proportional to capacity used if new capacity is created, with the rest socialised.

- The Electricity Connection Charge Regulations (ECCR) allows for second comer charges for distribution connected customers and DNOs to be rebated if another distribution connected party makes use of capacity they have paid for. The regulations do not apply in respect of works triggered by a transmission connected customer.

- CCCM Cost Apportionment Factors (CAF) are calculated using the proportion of thermal capacity or fault level headroom used by the new customer.

- As third party transmission customers are not covered by the CCCM, no cost apportionment mechanism exists, with the transmission party picking up 100% of the cost of works regardless of their incremental contribution.
- If there are multiple transmission customers due to connect who require common works, the cost currently falls in full to the triggering party.
- This can create a situation whereby the transmission customer is creating benefit for other transmission customers or on the DNO's network (which can effectively be "re-sold" to their customers) without receiving compensation.

- This is anti-competitive to transmission connected generation which is resulting in otherwise viable projects being considered to cancellation.
- Many of these projects are renewable projects, jeopardising the transition to a net zero energy system.
- This should be considered a DCUSA "Part 1" Matter as it is having a "significant impact on competition" in "the generation of electricity". The current mechanism also "discriminates in its effects between one class of Parties and another class of Parties". I.e. a distribution connected customer of the same size at the same site will pay less than a transmission customer causing an otherwise identical effect on the distribution system.
- This can encourage game playing: i.e. applying on the distribution system concurrently to trigger apportioned reinforcement, engaging in multiple Mod Apps to avoid being the triggering party etc.
- The Authority may also wish to consider if this practice contravenes DNO SLC13 whereby charging methodologies should "facilitate competition in the generation … of electricity, and does not restrict, distort, or prevent competition". The Authority will need to decide if competition amongst transmission and distribution connected generation is considered together.

Live Project 1

- 49.9 MW 13 kV tertiary connected battery scheme at a southern GSP.
- DNO's Third Party Works assessment highlighted circuit breaker replacement due to fault level at a cost of £2.86M.

- 1x CB increases to 96.5% of its asymmetrical break limit (29.34 kA) so must be replaced. Customer contribution is is 0.54 kA
- A further 8x CBs are pushed out of their single and three phase fault ratings (27 kA). Single phase rating is breached first. Customer contribution is 0.21 kA. These 8 CBs are already operating at 99.8% of their rating before our connection.

- A further 1x CB is being replaced anyway under a capital scheme.
- DNO did not have capital funding to replace other stressed breakers that needed replacing anyway. Transmission customer will provide this funding for their benefit.

- DNO proposes to upgrade the CBs to 40 kA rating at a cost of £2.86M, fully funded by us.

- Assuming all CBs are evenly priced, the 8x CBs should cost £2.54M. Fault level CAF = 3 x (0.21/(40-27)) x 100 = 4.84%
- Under CAF, customer contribution would be £122,936

- For the first CB, fault level CAF = 3 x (0.54/(40-29.34)) x 100 = 15.2%
- Under CAF, customer contribution would be £48,302

- If project was distribution connected, **customer could contribute £171,238 under the CAF mechanism**, with the remainder being covered by the DNO and socialised across subsequent customers.

- Presently, the transmission customer is facing **an effective £2.69M penalty for opting for a transmission connection**. This is anti-competitive and could result in cancellation of the project on economic viability grounds.

Live Project 2

- 49.9 MW 13 kV tertiary connected solar and storage scheme at a south western GSP.
- DNO's third party works assessment highlighted widespread thermal constraints.

- Mitigation required 30.5km of 132 kV reinforcement.
- Cost £17.7M. If CAF was applied, cost would be approx. £10.4M taking into account the £200/kW high cost reinforcement cap.
- **This is an approx. £7.3M over-spend by the transmission user for the DNO's benefit.**

- Active, enduring solutions technically possible but this is currently outside the contractual scope of the third party works process. Something CMP328 is considering.

- To date, no options have been pursued and the project is at real risk of cancellation.

Solution Overview – If Known	
Solution Description	1. Application of the CCCM to all electricity connection in respect of DNO works, regardless of whether they are directly connected to their distribution system or not. 2. Commercial Application of equivalence to the ECCR to provide reimbursement to the transmission connected customer in circumstances that the CAF rules do not apply and full charge for works is initially made to the transmission connected customer.
Lead Time For Implementation	As soon as possible