

High Level Principles

The following questions were asked by the Workgroup to check that all Workgroup members had a shared understanding of these areas prior to the consideration of the solution. The below has been attached to aid readers.

Questions	Answers
<p>1) What is the definition of a “Physical Asset Required for Connection”? And therefore:</p> <p>1b) What is therefore in the Connection Exclusion where the local circuit is much larger than is actually required by the initial connecting Gen A in anticipation of future capacity needs? (I.e. does the “Gen A” pick up the total cost for that oversized local circuit anyway?)</p> <p>1c) How does this reflect the pre-existing assets and any additional assets, after Gen A connects (so those additional assets are not required to connect Gen A)?</p>	<p>The Proposed definition is within the proposed legal text i.e. includes NPEA but not PEA (as per Ofgem direction).</p> <p>The Proposer responded that the local circuit charges associated with Gen A would be based on the TEC of that generator, rather than the total costs of the assets themselves. This is covered within the proposed business rules draft document where it details how charges are calculated for NPEA (those in the Connection Exclusion) using TEC and tariff values etc.</p> <p>A workgroup member suggested that there are three types of local assets: X – pre-existing, Y those for Gen A connection and Z those built after Y to serve someone else (maybe Gen B and / or demand). So Gen A Connection Exclusion is only Y (not X or Z)].</p>
<p>2) What happens to a Connection Exclusion amount for Gen A if the actual local circuit tariff changes?</p> <p>2a) Does it depend on what caused the tariff to change?</p>	<p>The Proposer responded that if those assets are still in the Connection Exclusion, then the new local charge (calculated annually) will go into the Connection Exclusion pot.</p> <p>A Workgroup member responded that causes for tariffs to change could be: (i) inflation/price control rate of return etc., (ii) load flow (iii) additional assets added or (iv) assets withdrawn.</p> <p>In the case of non GOS connections, then (ii) change in load flow does not change the assets but does change their respective contribution to local tariff. ESO would need to carry out this calculation every year due to change in load flow (plus for every forecast where the load flow changes).</p>

	<p>If (iii) then additional assets Z (not part of the assets X pre-existing or Y needed to connect Gen A) are added and this causes the local circuit tariff to change then this should not go into the CE (except if proportion is for new Gen B in which case that proportion is NPEA).</p> <p>In case of (iv) the local charge would be calculated based on the system at the time and recalculated in future years if any changes occurred.</p>
<p>3) What happens to a Connection Exclusion amount for Gen A if the local circuit later becomes by definition part of the NETS (e.g. others connect too)?</p>	<p>The Proposer responded that for Gen A that amount still remains as part of the Connection Exclusion.</p> <p>A Workgroup member advised that the local circuit in this example is always part of the NETS, and advised that the Workgroup need to reflect the CMA determination concerning 'interconnectedness' which means it can change over time. See Interconnectedness section of this report.</p> <p>The Proposer responded; for other generators that subsequently connect, their associated charge would be classed as Pre-existing as the circuit already existed at the point they wished to connect. Unless upgrades were required for those generators to connect which would then fall into the Connection Exclusion (as an upgrade was required for them to actually connect). This should link to point 6 of business rules draft document which talks about upgrades going in the NPEA pot.</p> <p>A Workgroup member questioned where the upgrade element is defined, and went on to suggest that in it would be the upgrade element only, rather than the whole asset, that goes in to the Connection Exclusion and only where the upgrade is actually required to connect (noting connect & manage)]. The Workgroup member advised that point 6 of the business rules is not clear on upgrades.</p>
<p>4) What happens if a NETS transmission line becomes a local circuit and Gen A starts to pay local circuit charges on it where:</p> <ul style="list-style-type: none"> • Gen A doesn't trigger reinforcements? • Gen A does trigger reinforcements? 	<p>The Proposer responded; as no upgrade is required this would be classed as a PEA Reinforcement/upgrade element.</p> <p>A Workgroup member suggested that only those elements required to actually connect Gen A only (noting connect & manage) would form part of the Connection Exclusion and the original asset charges would then be classed as PEA.</p>

<p>5) What happens when Gen A reduces it's TEC and other generators can use /pay for that existing capacity?</p>	<p>The Proposer responded that the other generators would be utilising/connecting to an asset already there, so the charges associated with those generators would be classed as PEA.</p>
<p>6) What is the identity of Gen A and at what point do they no longer exist (and therefore there be no Connection Exclusion at all for that circuit because the asset is pre-existing)?</p>	<p>The treatment of withdrawn assets is covered in the Business Rules.</p>
<p>7) Does the Connection Exclusion for a particular circuit ever change between entities or site/location?</p>	<p>The Proposer responded that further details or an example would be required to determine if PEA or CE. A Workgroup member advised that the Workgroup need to reflect the CMA determination concerning 'interconnectedness' which means it can change over time . See Interconnectedness section of this report.</p>