



Department for
Business, Energy
& Industrial Strategy

ASSESSMENT AND DESIGN FEES

CONSULTATION

September 2017



ASSESSMENT AND DESIGN FEES

CONSULTATION

The consultation can be found on the BEIS section of GOV.UK:

<https://www.gov.uk/government/consultations/assessment-and-design-fees-consultation-on-draft-regulations>

Assessment AND DESIGN FEES

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General information

Purpose of this consultation

BEIS is seeking views from stakeholders with an interest in connections to the electricity distribution network on allowing upfront assessment and design fees to be charged for connection applications.

Issued: 21 September 2017

Respond by: 2 November 2017

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Consultation reference: Assessment and Design Fees: Consultation

Territorial extent:

Great Britain

How to respond

Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome.

Electronic responses to the above email address are preferred, however, you may also respond in hardcopy, to the above address, if you prefer.

Additional copies:

You may make copies of this document without seeking permission. An electronic version can be found at <https://www.gov.uk/government/consultations/assessment-and-design-fees-consultation-on-draft-regulations>.

Confidentiality and data protection

Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information legislation (primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004).

If you want information that you provide to be treated as confidential please say so clearly in writing when you send your response to the consultation. It would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded by us as a confidentiality request.

We will summarise all responses and place this summary on the [GOV.UK website](#). This summary will include a list of names or organisations that responded but not people's personal names, addresses or other contact details.

Quality assurance

This consultation has been carried out in accordance with the [Government's Consultation Principles](#).

If you have any complaints about the consultation process (as opposed to comments about the issues which are the subject of the consultation) please address them to:

Email: enquiries@beis.gov.uk

Executive Summary

1. Electricity distribution networks play an important enabling role in meeting our energy and economic objectives, including by ensuring customers can connect in a timely and cost effective manner.
2. Distribution Network Operators (DNOs) are taking action to improve the connections process including through the Incentive on Connections Engagement; the time to connect incentive; provision of information on network capacity to customers; and providing flexible connection offers.
3. Ofgem is ensuring that DNOs are building on the progress made so that customers receive an effective connections service. This includes Ofgem's work on *Quicker, More Efficient Connections*, which has challenged the DNOs to make the best use of existing network capacity¹. We have also extended the application of the Electricity (Connection Charges) Regulations² to help ensure a fairer sharing of connection costs between customers and consumers³.
4. We believe that allowing DNOs⁴ to charge upfront Assessment & Design (A&D) fees (i.e. fees which can be charged when a DNO has incurred connection offer expenses but before the offer is made and regardless of whether the customer accepts the connection offer) would support these efforts. It would help ensure a fairer sharing of costs between customers and help improve the efficiency of the connection process. We have therefore decided to implement secondary legislation to effect this. We have drafted a Statutory Instrument (The Electricity (Connection Offer Expenses) Regulations 2017) which can be found at Annex A. Chapter 2 explains our approach to implementation and summarises our initial assessment of the economic impacts. **We are seeking views on our approach, our assessment of the economic impacts, and the draft Statutory Instrument from those with an interest in distribution network connections.**

¹ <https://www.ofgem.gov.uk/publications-and-updates/unlocking-capacity-electricity-networks-overview>

² http://www.legislation.gov.uk/ukxi/2017/106/pdfs/ukxi_20170106_en.pdf

³ Customers are those requesting a connection and consumers are all end users of DNO services.

⁴ The Electricity Act 1989 and draft Statutory Instrument on Connection Offer Expenses refer to "electricity distributor". This includes DNOs and independent DNOs. We refer only to DNOs throughout this document as their A&D activities are the focus of this measure. The primary legislation and Statutory Instrument do not apply to independent connection providers who are able to invoice for their fees outside the statutory scheme.

1. Background

Assessment & Design fees: Legislative Framework

- 1.1. Distribution Network Operators (DNOs) are legally obliged to provide a connection offer to customers⁵. In doing so, the DNOs incur Assessment & Design (A&D) costs (also referred to as connection offer expenses) which typically include the costs of DNO staff, undertaking surveys, site visits, drawing plans, accommodation and equipment amongst other things. DNOs are only permitted to recover the reasonably incurred costs of providing all connection offers, through A&D fees, from those customers who accept a connection offer⁶. Customers who accept a connection offer are also paying for the A&D costs incurred by DNOs in providing offers to other customers which are not subsequently accepted.
- 1.2. Until 2008 most DNOs levied upfront A&D fees for connection offers under Section 19 of the Electricity Act 1989 regardless of whether a customer subsequently accepted the offer (although in all cases the smallest connection projects were not required to pay). In 2008, following a formal challenge by a customer, Ofgem published an Open Letter clarifying that the practice was not consistent with Section 19 the Electricity Act 1989⁷. It reasoned that giving a connection offer was the first stage at which any terms/payments were open to acceptance or non-acceptance by a customer. If the customer did not accept those terms in the offer then there was no basis for the charge.
- 1.3. Powers were subsequently included in the Energy Act 2008 which amended Section 16A of the Electricity Act 1989 to enable the Secretary of State to make regulations allowing an electricity distributor to recover from customers reasonable expenses incurred in providing connection offers (i.e. A&D costs). This would include expenses incurred in making connection offers that were not subsequently accepted. The Energy Act 2008 amendments also enable the regulations to specify any circumstances under which A&D fees may not be charged (exemptions) and how the fees are to be calculated.

⁵ Section 16A(1) of the Electricity Act 1989

⁶ This power exists under Section 19 of the Electricity Act

⁷ https://www.ofgem.gov.uk/sites/default/files/docs/2008/08/a-and-d-fees-consultation_0.pdf

Stakeholder views on allowing upfront Assessment & Design fees to be charged

- 1.4. DNOs, and a number of connection customers, have argued that not allowing DNOs to charge A&D fees to customers who do not accept a connection offer has had a significant and growing detrimental effect on connection customers more generally. They argue that not being able to charge these customers for connection offer expenses has contributed to a significant increase in connection applications, requiring DNO resources to process them. It has been noted that while this does not materially affect DNOs (as they recover their costs in any event) it is unfair that those customers who accept a connection offer ultimately pay for the A&D costs of those who do not progress. It also encourages multiple, repeat and speculative connection requests and it has been submitted that some customers routinely use the connection offer process to determine where network capacity is available rather than discussing their requirements with DNOs. This increases costs and diverts significant DNO resources to providing offers that will never be accepted. Furthermore, providing connection offers to speculative applications ‘ties up’ network capacity until a customer responds to the offer. This capacity could otherwise be allocated to subsequent customers.
- 1.5. On 24 March 2016 we published a Call for Evidence⁸ to gather stakeholder views on A&D fees. The majority of respondents favoured allowing DNOs to charge upfront A&D fees (i.e. fees which can be charged when a DNO has incurred connection offer expenses but before a connection offer is made regardless of whether the customer accepts the offer). In responding, many stakeholders also called for:
- smaller projects to be exempt from paying upfront A&D fees,
 - DNOs to improve customer service and transparency in costs
 - a clear definition of what A&D fees cover; and
 - safeguards to prevent DNOs over recovering costs.
- 1.6. Further details on the responses and a list of respondents are at Annexes B and C respectively.

⁸ <https://www.gov.uk/government/consultations/assessment-and-design-fees-call-for-evidence>

Government view on allowing upfront Assessment & Design fees to be charged

- 1.7. Having considered the issue further, and in the light of responses to the Call for Evidence, we have decided to implement secondary legislation to allow DNOs to charge upfront A&D fees. We believe that doing so will be fairer, with more customers paying towards the costs of preparing connection offers and that it will bring further benefits in improving the efficiency of the connections process and the service that customers receive. We also believe that the concerns raised by stakeholders, such as those highlighted in paragraph 1.5, can be addressed through the secondary legislation and implementation process.
- 1.8. We have prepared a draft Statutory Instrument (Annex A) and undertaken an initial assessment of the economic impacts. Having decided to allow DNOs to charge upfront A&D fees this consultation is seeking views on how best to achieve this, based on the draft Statutory Instrument.

2. Allowing DNOs to charge upfront Assessment and Design fees

This chapter presents our considerations and approach to implementing upfront A&D fees. It should be read in conjunction with the draft Statutory Instrument (Annex A). We welcome comments on the issues covered in this chapter, and also any parts of the draft Statutory Instrument we have not discussed here or issues that we may have missed.

Introduction

- 2.1. The Statutory Instrument will allow DNOs to charge upfront A&D fees, but not require them to do so. We believe this will provide flexibility for DNOs and Ofgem to implement, and update, upfront A&D fees in the appropriate manner through the regulatory framework. The Statutory Instrument therefore sets a framework for implementation which would be taken forward through regulatory mechanisms and governance processes such as licences and the Connection Charging Methodology (CCM)⁹. However, we feel there are certain areas where it would be useful to specify particular requirements on DNOs, include safeguards to protect customers or provide greater clarity for all in the Statutory Instrument. In drafting the Statutory Instrument, therefore, we have sought to strike the appropriate balance between granting powers to, and making requirements of, DNOs and retaining flexibility so that the detail of the regime can be designed and amended through the regulatory framework.
- 2.2. In the rest of this chapter, we have identified the main issues that we have considered. For each issue we provide an outline description, stakeholder views, our considerations and rationale behind our approach to addressing the issue, and any particular questions we have.

⁹ The CCM is approved by Ofgem and sets the approach that DNOs take to calculating connection charges. It also provides other information to explain the options available for obtaining a connection and the processes that need to be followed.

Defining A&D fees in the Statutory Instrument (Regulation 2(2))

Issue

- 2.3. The main driver for allowing DNOs to charge upfront A&D fees is to allocate costs more fairly. In doing so we have to ensure that customers are only charged for work undertaken by DNOs in preparing connection offers. We therefore need to ensure that all activities undertaken by DNOs in preparing a connection offer are appropriately captured in the Statutory Instrument. This is also a requirement of the Electricity Act 1989¹⁰.

Stakeholder views

- 2.4. Stakeholders have emphasised the importance of transparency in the levying of A&D fees, so that they can be reassured that they are being charged fairly. Some have also expressed the need for DNOs to keep separate the cost of assessing contestable and non-contestable activities¹¹. They were particularly concerned about customers being charged by DNOs for activities (primarily competitive elements) which were not required in assessing their connection applications. DNOs have expressed a wish for the definition of A&D activities in the Statutory Instrument to also allow them to recover reasonable connection offer expenses in the future and, therefore, not be too prescriptive such as to exclude advances and changes to practice.

Our approach and rationale

- 2.5. We recognise that DNO activities in providing connection offers change over time, for example, the increasing analysis of curtailment or flexible connection options. We have therefore sought to future-proof the definitions as far as possible. Regulation 2(2) of the Statutory Instrument seeks to achieve this by covering relevant activities, but keeping references at a high level.
- 2.6. We are also mindful of the need to cater for connection offer expenses where a DNO is only assessing the impact on its own network i.e. non-competitive elements. By separating the various activities in Regulation 2(2) the DNO can charge for any or all of these activities depending on the work undertaken in preparing the offer. This includes work undertaken in processing applications. In addition, where an

¹⁰ Under Section 16A(4B)(a) of the Electricity Act 1989 the Statutory Instrument must stipulate the connection offer expenses covered.

¹¹ Contestable activities are those where the customer has the choice of using the DNO's services or those of an independent connection provider or independent DNO. Non contestable activities can only be undertaken by a DNO and generally involve work on the DNO's existing network.

assessment of impacts on the transmission network, and any subsequent design work, is undertaken the costs should also be recoverable from the customer by the DNO. We have therefore included references to the transmission system in Regulation 2(2).

- 2.7. We have also used the term “connection offer expenses” rather than “assessment & design costs” in the draft Statutory Instrument. This follows the terminology used in Section 16A of the Electricity Act 1989 and avoids the need to define “assessment” and “design” in the Statutory Instrument. We also recognise that assessment work can involve some design elements that may lead to confusion if we used the term “assessment and design”.
- 2.8. We believe that the requirement in Section 16A of the Electricity Act 1989 and the Statutory Instrument for connection offer expenses to have been reasonably incurred by DNOs, along with the list of activities means that if a DNO did not incur expenses (for example if a DNO did not design the extension of the distribution system) it would not be able to charge for this. If a customer felt they had been charged for expenses not incurred they would be able to challenge the A&D fee with the DNO and, ultimately, may be able to dispute the amount through the determination process outlined in Section 23 of the Electricity Act 1989¹².

Question

- | | |
|----|---|
| 1. | Do you have any comments on our rationale for, and drafting of, the Statutory Instrument to ensure that connection offer activities are properly captured and that there is sufficient legal clarity that DNOs can only charge for reasonably incurred connection expenses? |
|----|---|
-

How A&D fees may be levied: exemptions

Issue

- 2.9. DNOs can currently charge A&D fees for those customers who do accept connection offers under Section 19 of the Electricity Act 1989. Those fees are determined under the DNO’s CCM and published in its Connection Charging

¹² Further information on the Ofgem determination process can be found at:
<https://www.ofgem.gov.uk/ofgem-publications/38164/determinationsguidanceaug2012-pdf>

Statement (CCS)¹³, customers in the smallest connection categories who accept connection offers are generally not charged A&D fees. This reflects the low costs generally involved in providing a connection offer to these projects compared to the costs of levying the fee. There may similarly be a case for certain categories of connection customer to not be charged upfront A&D fees. We have considered whether the Statutory Instrument should set out categories of connections to be exempt from upfront A&D fees.

Stakeholder views

2.10. A significant number of respondents to the Call for Evidence argued for smaller generation and demand connection customers to be exempt from paying upfront A&D fees. They contended that the cost may be prohibitive to small-scale and community projects, particularly if charged by the DNO upon receipt of a connection application when project funds might not be available. It was further noted, by some, that the cost incurred by DNOs in charging A&D fees could outweigh the charges themselves. However, a minority of stakeholders who responded to the Call for Evidence felt that all customers should be charged upfront A&D fees. DNOs have consistently stated that, should they be allowed to charge upfront A&D fees, they would not do so for smaller connection applications¹⁴.

Our approach and rationale

2.11. As an overarching principle, we believe that all customers should pay for the services they receive. However, we recognise that there may be instances where this is inefficient or impractical, for example for smaller connections it may not be cost-effective for DNOs to charge A&D fees.

2.12. Under the existing arrangements for charging A&D fees for those customers who accept connection offers¹⁵ DNOs decide who to charge, and most do not currently charge smaller connection customers for A&D costs.

2.13. We note safeguards within the regulatory framework, which requires Ofgem to approve DNO charging methodologies and the form of DNO CCS and the electricity distribution licence which does not permit undue discrimination between customers.

¹³ The Connection Charging Statements set out DNO connection charges and provide other information to explain the options available for obtaining a connection and the processes that need to be followed. They are approved by Ofgem.

¹⁴ Defined as Small Scale Embedded Generation customers and small demand customers with up to 4 premises in the same application.

¹⁵ Provided for separately under Section 19 of the Electricity Act 1989

In addition, where a customer feels they have been treated unfairly they may refer a dispute to Ofgem for determination under Section 23 of the Electricity Act 1989.

- 2.14. We believe that attempting to specify exemptions for certain categories of connection customers in the Statutory Instrument would be impractical and unnecessary. The reasons for not charging or the categorisation of exempt connection customers, for example, may change over time. Neither Section 16A of the Electricity Act 1989 nor the draft Statutory Instrument confer an obligation on DNOs to charge fees, and they would retain discretion to make no charge.
- 2.15. We have therefore not included a provision to exempt specific categories of connection customers from upfront A&D fees in the draft Statutory Instrument.

Question

- | | |
|----|---|
| 2. | Do you agree with our approach to not make specific provision for exemptions in the Statutory Instrument? |
|----|---|

How A&D fees may be levied: standard fees

Issue

- 2.16. In respect of charges made under Section 19 of the Electricity Act 1989 for customers accepting connection offers, DNOs use a standard fee (equivalent to a minimum/flat fee) approach to charging A&D fees in the majority of connection categories with extra charges based on a published hourly rate should a particular project cause significant extra work e.g. if customer requirements have changed while the offer was being developed. DNOs also charge actual A&D costs for larger connections. This approach, and the charges, are set out in the CCM and CCS published by DNOs. We have considered whether the Statutory Instrument should explicitly provide for a detailed method of calculating standard upfront A&D fees.

Stakeholder views

- 2.17. In the Call for Evidence we sought stakeholder views on what type of upfront A&D fees should be levied and, if a standard fee, how much the fee should be and whether fees should change over time. Many respondents felt that the current approach whereby DNOs charge standard fees by customer connection category should be retained, with larger projects being charged the actual costs involved in

assessing their connection applications. They felt that this was a practical and well-understood approach. Some respondents advocated customers only being charged according to the cost of assessing their application or a combination of a standard fee and actual cost or being offered a choice between standard fee and actual cost. There were a few suggestions for how much should be charged under a standard fee approach ranging from £100 for small connections to a maximum of £5000 for the larger connections. There was also some support for index-linking standard fees.

Our approach and rationale

- 2.18. We note the current DNO approach for charging A&D fees under Section 19 of the Electricity Act 1989 (as set out in paragraph 2.16) and the general support from stakeholders for the use of standard fees. We also note that Ofgem reviews and approves any changes to the CCM or to the form of the CCS to ensure transparency and fairness. We note that DNOs are required to review the information published in their CCS at least once a year and that changes to standard fees are made under Section 19 of the Electricity Act 1989 to reflect changes in costs, numbers and types of connection applications, etc. Changes have also been made, on occasion, to connection categories.
- 2.19. The wording in the Electricity Act 1989 (as amended by the Energy Act 2008) and the draft Statutory Instrument would allow DNOs to recover costs that they have reasonably incurred. DNOs would be required to make specific provisions for the method of calculating fees under the Statutory Instrument in the CCM and CCS and both documents would need to satisfy the requirements of the Statutory Instrument and Section 16A of the Electricity Act 1989, including demonstrating that they meet the legal test of “have been reasonably incurred”. Both the CCM and CCS are published, ensuring transparency for customers. Further, Ofgem approves the CCM and the form of the CCS and hears appeals in the event of a dispute over charges.
- 2.20. We feel that the requirement that the costs are reasonably incurred by the DNO, the publication of the CCM and CCS, the regulatory requirements and oversight of the CCM by Ofgem, together with the right for customers to appeal against the A&D fees charged under Section 23 of the Electricity Act 1989, should safeguard against over recovery of A&D costs by DNOs whether charging standard fees or actual costs.

Question

- | | |
|----|---|
| 3. | Do you agree with our approach to not make specific provision for standard fees in the Statutory Instrument? Do you agree that the existing legal and regulatory provisions safeguard against over recovery by DNOs of A&D costs? Do you have any concerns and, if so, how could they be met in the drafting of Regulation 2? |
|----|---|

Procedures for charging A&D fees: timing of payment for connection offer expenses

Issue

- 2.21. There are various points in the connection offer process where DNOs might require payment of connection offer expenses from customers or where customers might prefer to pay for their connection offer expenses. We have considered whether the Statutory Instrument should include any provisions on when DNOs are allowed to charge upfront A&D fees.

Stakeholder views

- 2.22. A number of respondents to the Call for Evidence supported customers paying A&D fees when submitting a connection application to request a connection offer. They felt this would have a stronger deterrent effect on speculative applications. Some DNOs preferred to have the option of continuing the existing practice of requiring payment when issuing a connection offer (currently only paid by those who subsequently accept the offer) as well as being able to require payment as a precondition for issuing an offer. They cited administrative efficiencies in support of this approach. However, concerns have been raised about the increased risk of non-payment of A&D fees by customers who are not required to pay upfront A&D fees before receiving a connection offer. For example, customers might refuse to pay for connection offers they did not accept. It was felt that this could result in significant debt recovery and write-off costs.
- 2.23. Some DNOs have emphasised the importance of having the flexibility to charge customers A&D fees during the connection offer process. This would allow the charging of A&D fees in instalments or charging customers who decide not to progress the connection application before an offer is issued, but where A&D costs have been incurred.

- 2.24. DNOs have also raised concerns that they may not be able to issue connection offers within the timescales set out in Standard Licence Condition (SLC) 12¹⁶ of the electricity distribution licence, if they are dependent on being paid by the customer for A&D costs before issuing the connection offer.
- 2.25. It has also been suggested that some customers might prefer to pay the A&D fee earlier in the process before a DNO has incurred all connection offer costs, for example when submitting a connection application, for their own convenience. A process whereby a customer is invoiced for the A&D fees once an application is received (but is not obliged to pay it until the connection offer is ready) has been put forward as a means of mitigating the risk of non-payment, but also allowing customers to pay earlier in the process should they prefer.

Our approach and rationale

- 2.26. We feel that DNOs should have flexibility on the timing of requiring payment within the parameters set by the Electricity Act 1989 and Statutory Instrument. This would include the flexibility to charge instalments, provided that A&D costs have already been incurred. We note that Section 16A(5) of the Electricity Act 1989 already allows DNOs to require payment for connection offer expenses from a customer before issuing a connection offer. We have therefore not included any provisions repeating this in the Statutory Instrument.
- 2.27. SLC 12 requires Electricity Distributors to make a connection offer within 65 working days of receiving a request. If DNOs did not intend to require payment of A&D fees before issuing a connection offer, then there would be no conflict with these timelines. However, if DNOs do intend to require payment of A&D fees as a precondition for issuing a connection offer, then this may require changes to SLC 12. If Ofgem were to consider making these changes then it would need to consider the impact of the change on customers. We, and Ofgem, are seeking your views on whether you consider that changes would be required to SLC 12.
- 2.28. We have considered allowing DNOs to require the payment of A&D fees upon application. However, Section 16A(4B)(b) of the Electricity Act 1989 requires that distributors must have incurred the reasonable connection offer expenses for which they are seeking payment for from connection customers.

¹⁶ Standard conditions of the electricity distribution licence are available at <https://epr.ofgem.gov.uk/Content/Documents/Electricity%20Distribution%20Consolidated%20Standard%20Licence%20Conditions%20-%20Current%20Version.pdf>

- 2.29. We also note that while DNOs cannot require payment before they have incurred connection offer expenses¹⁷, customers may prefer to pay the fee earlier in the connection offer process. The Statutory Instrument would not prevent the customer from making such a payment.

Question

- | | |
|----|--|
| 4. | Do you agree with our assessment of the timing of charging A&D fees? What are your views on changing SLC 12 of the electricity distribution licence to allow DNOs to require payment of A&D fees as a precondition for providing a connection offer? |
|----|--|
-

Procedures for charging A&D fees: notification (Regulations 2(2)-2(5))

Issue

- 2.30. It is important that customers are aware that they may be liable to pay an upfront A&D fee and the level of the charge. We have considered whether the Statutory Instrument should include provisions on DNOs alerting relevant customers that they may be required to pay an A&D fee and subsequently notifying them of the charge.

Stakeholder views

- 2.31. A number of stakeholders stressed the importance of transparency and consistency when charging A&D fees when responding to the Call for Evidence. It has also been argued that making customers aware of the charge, both generally and when submitting an application, should help deter speculative applications.

Our approach and rationale

- 2.32. We would expect DNOs to notify relevant customers upon application that they may be required to pay an upfront A&D fee, as well as generally making this clear for example on their websites. This represents good practice from a transparency viewpoint to ensure customers are aware of the charge and may also have a deterrent effect on speculative applications. We feel this is sufficiently important to

¹⁷ Section 16A(4B)(b) of the Electricity Act 1989 states that “connection offer expenses” means expenses which “have been reasonably incurred by the distributor”

be included in the Statutory Instrument and have therefore drafted a provisions in Regulations 2(3) and 2(4) stating that DNOs cannot levy upfront A&D fees unless they have notified customers of the charge and may not recover expenses incurred before providing a notice in writing to customers that they may be required to pay upfront A&D fees. Such a notice could take the form of an automated email from the DNO to customers sent upon receipt of a connection application alerting them to the charge. This is designed to provide clarity and consistency for the benefit of DNOs and customers alike. However, the DNO would not have to wait for a customer's acceptance of the charge before progressing with preparing the connection offer, as that would unnecessarily delay the connection offer process.

- 2.33. We also feel that customers must be made aware of the amount of the A&D fee, how it has been calculated, timing for (and form of) payment and right of appeal when a charge is presented. We have therefore drafted provisions in Regulations 2(2) and 2(5) for such a notice to be presented.
- 2.34. We have not provided a timeframe for issuing a notice for payment. It could, for example, be issued before a connection offer is made or could form part of the connection offer itself or be issued shortly after the connection offer. This is in response to DNO requests for flexibility to cover, for example, where payment is required before an offer is presented to the customer or where an invoice follows shortly after a connection offer is made. In the case of the latter, this could mean that customers would not have sight of the A&D fees when receiving their connection offer. We invite stakeholder views on whether this presents transparency issues and whether further clarification on the timing of the notice for payment should be made in the Statutory Instrument.
- 2.35. We have also not made specific provision in the draft Statutory Instrument for withdrawn connection applications and to what extent the customer would be expected to pay for DNO expenses incurred in those circumstances. It is our view that the requirement in the Electricity Act 1989 that costs have been "reasonably incurred" and the availability of the right to appeal against the A&D fees charged under Section 23 of the Electricity Act 1989 should safeguard against any such charges being unreasonably levied.

Question

5. Do you agree that Regulation 2 provides helpful clarity on notifying customers of the A&D fee? Are there any further aspects relating to DNOs providing information that you would like to see included in this regulation? Do you have any views on whether the Statutory Instrument should include provisions on the timing of DNO payment notifications? Do you agree that the Statutory Instrument does not need to specifically cover expenses incurred when connection applications are withdrawn?

Appeals (Regulation 2(5)(d))

Issue

- 2.36. Customers will have the right to appeal against the A&D fees charged under Section 23 of the Electricity Act 1989. We have considered whether the Statutory Instrument should also contain provisions on appeals, including specifically requiring DNOs to notify customers of their appeal rights.

Stakeholder views

- 2.37. Stakeholders did not express a view on the right of appeal or appeal procedures in response to the Call for Evidence.

Our approach and rationale

- 2.38. The appeals procedure set out in Section 23 of the Electricity Act 1989 will apply to A&D fees as it applies automatically to any disputes under Section 16A. We note that DNOs already notify customers of the right of appeal when providing a connection offer¹⁸.
- 2.39. It may not be clear to customers that the right to appeal a connection offer includes the costs charged to them in preparing it, particularly if the notification of the charge is presented at a different time to the connection offer. We believe it is good practice, and consistent, that DNOs should explicitly notify customers of their right to appeal should they disagree with the level of A&D fee charged for their

¹⁸ This is required under Section 16(6) of the Electricity Act 1989

connection offer. Regulation 2(5)(d) sets out the requirement for DNOs to notify customers in writing of their right to appeal the A&D fee.

Question

- | | |
|----|--|
| 6. | Do you agree that customers should be notified of their right to appeal against the A&D fees charged in relation to their connection offer? Do you agree that it is right to include these provisions in the Statutory Instrument? |
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Review (Regulation 3)

Issue

- 2.40. It is important that the policy and implementation of upfront A&D fees is effectively monitored and reviewed. This will help ensure that it is meeting the objective of a fairer recovery of costs incurred in relation to connection offers and requirements of the Statutory Instrument. We have considered how this might best be achieved.

Stakeholder views

- 2.41. In the Call for Evidence we asked how the impact of any introduction of upfront A&D fees should be monitored or reviewed. A range of responses were received, but mainly focused on reviewing the impact of the fees on connection applications and offers. Some respondents advocated incorporating a regular review within existing regulatory mechanisms such as Ofgem's approval of the CCM or the form of the CCS or assessing the impact on connection applications and offers from the annual data that DNOs submit to Ofgem. There were calls for annual reviews and some respondents advocated a more in-depth review after the first year.

Our approach and rationale

- 2.42. Currently DNOs set out their A&D fees in their CCS (of which the form is approved by Ofgem) based on the CCM (which is approved by Ofgem). Any changes to the methodology to ensure that the recovery of A&D fees was meeting the policy objectives and requirements of the Statutory Instrument can be undertaken through that process. In our view this provides an ongoing and appropriate means to ensure that A&D fees are charged in a cost effective, fair and consistent manner. We note stakeholder interest in assessing the impact of A&D fees on connection applications and offers. Information on connection applications and offers is routinely made

available by DNOs as part of the regulatory requirements. We do not feel that the Statutory Instrument should add any further requirements in this area.

- 2.43. The inclusion of a Review clause in Statutory Instruments is a statutory requirement¹⁹. We have, therefore, included provisions for reviewing the Statutory Instrument itself (Regulation 3). Given the regulatory protections in place (e.g. Ofgem approval of the CCM and the form of the CCS) we feel that five years is an appropriate timescale for a review of the Statutory Instrument to assess whether its objectives remain appropriate and are being achieved.

Question

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| 7. | Do you agree with our approach to reviewing the implementation of upfront A&D fees in the Statutory Instrument? |
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Economic Impact Assessment

Description of Issue

- 2.44. Currently, DNOs are only permitted to recover the reasonably incurred costs of providing all connection offers, through A&D fees, from those customers who accept a connection offer. This means that these customers are also paying for the A&D costs incurred by DNOs in providing offers to customers which are not accepted.
- 2.45. Data²⁰ that Ofgem collects through the annual DNO reporting cycle shows that the number of unaccepted offers (including those provided in response to multiple and repeat speculative connection applications) has increased significantly over the period 2010/11 to 2015/16. This has led to DNOs increasingly having to divert resources to produce offers for a growing number of applications and an upward pressure on the level of costs borne by participants who accept offers. DNOs and the majority of stakeholders (i.e. developers, including trade associations) who responded to the A&D fees Call for Evidence, have highlighted these points and argued that allowing DNOs to charge customers upfront A&D fees would help address the significant and growing detrimental impact on customers in general.

¹⁹ Sections 28 to 32 of the Small Business, Enterprise and Employment Act 2015
http://www.legislation.gov.uk/ukpga/2015/26/pdfs/ukpga_20150026_en.pdf

²⁰ The Connections Reporting Pack shows connection and offer data collected by Ofgem since 2010/11 through the annual DNO reporting cycle.

- 2.46. Given these economic inefficiency and equity concerns, we have undertaken an initial assessment of potential costs and benefits of allowing upfront A&D fees to be charged. This shows that total one-off and ongoing implementation costs for all DNOs and Ofgem would be significantly less than £1m per year across the scenarios set out below. It further shows that the regulatory change could result in up to £330m of freed-up and better deployed DNO resources across scenarios (Present Value, 2016 prices, over 10 years) assuming that charging upfront A&D fees would have a deterrent effect on more speculative connection applications (an assumption supported by the responses we received to the Call for Evidence). These benefits would eventually be passed through to end-users. There would also be a transfer in costs from those customers who accept connection offers to those who do not. This transfer over a 10 year default time frame is estimated to have a present value of between £270m-£830m across scenarios.
- 2.47. To derive these costs and benefits, we used insights from our Call for Evidence and separate discussions with DNOs and Ofgem. The majority of respondents to the Call for Evidence expected one-off implementation and familiarisation costs to be minimal. Communication and administrative costs were the two categories where stakeholders felt there would be some costs. Some respondents also argued that the benefits of allowing DNOs to charge upfront A&D fees would far outweigh these costs. We have set out our key assumptions for assessing the economic impacts below:
- For a default 10 year timeframe, starting from 2018, we use a range of potential future connection offer scenarios, which are either rising or flat. The impact of regulatory change on these scenarios ranges from no impact on the number of connection offers to a reduction in 40% annually. The scenarios are based on historic connection offer data that Ofgem has collected through the annual DNO reporting cycle since 2010/11 (*The Connections Reporting Pack*). The range of potential percentage reductions in speculative connection applications has been derived from discussions with DNOs.
 - Based on feedback from DNOs, our initial assessment assumes that the costs associated with viable projects being deterred are negligible as the charge will incentivise customers to discuss requirements with a DNO pre-application and use available network information, therefore making better choices and more amenable to withdrawing applications where it is clear that the resultant offer will be uneconomic.
 - We assume further that the average resource cost for DNOs to produce connection offers ranges between £470 for low voltage demand connections

up to £6,900 for extra high voltage generation connections. This is based on the DNOs' CCS.

- In terms of implementation costs we assume costs may be incurred for changes to IT systems (a one off cost of £300k across DNOs), invoicing and payment processing (an ongoing annual cost of £60k-£180k across DNOs)²¹ and pursuing non-payment (an ongoing annual cost of £90k-£180k across DNOs)²². Changes to the CCM, changes to DNO websites and staff training are assumed to be captured under business as usual. These estimates have been derived from discussions with DNOs and Ofgem.

Question

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| 8. | Do you agree with our initial assessment of economic impacts and the assumptions used? Do you have any other evidence which should be taken into account? |
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Other comments

- 2.48. We have endeavoured to present a comprehensive assessment of the issues, stakeholder views, our approach, assessment of economic impacts, and drafting of the Statutory Instrument. However, we would be interested to hear views on any issues we have not identified or evidence that may affect our decision.

Question

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| 9. | Are there any other comments you wish to make that may have a bearing on our considerations? |
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²¹ This assumes that each invoice takes up to 15 minutes and an average annual staff salary of £30k.

²² This assumes 1% of non-payment, 50% unsuccessful recovery and an average unrecoverable connection offer cost of £520, which represents an LV connection project weighted average connection offer cost.

3. Next steps

- 3.1 Responses are invited from all interested parties, including any evidence you wish to provide in support of your comments, by 2 November 2017.

Responses should be sent to:

Paul Hawker
Electricity Systems
Department for Business, Energy and Industrial Strategy
3rd Floor,
1 Victoria Street,
London, SW1H 0ET

Or email: paul.hawker@beis.gov.uk

- 3.2 Electronic responses to the above email address are preferred, however, you may also respond in hardcopy, to the above address, if you prefer.
- 3.3 We will consider responses to the consultation and other engagement with stakeholders. We will revise the Statutory Instrument and our assessment of the economic impacts accordingly. A Government Response will be published and the Statutory Instrument will be laid before Parliament to take effect from the following Common Commencement Date²³.

²³ Government domestic regulatory changes that impact on business are generally commenced only on the Common Commencement Dates of 6 April or 1 October. This is designed to help stakeholders plan and budget for new measures and to minimise any additional costs. The Common Commencement Date would not apply to any subsequent action by Ofgem and DNOs to charge upfront A&D fees.

4. Catalogue of Consultation Questions

Question	
1.	Do you have any comments on our rationale for, and drafting of, the Statutory Instrument to ensure that connection offer activities are properly captured and that there is sufficient legal clarity that DNOs can only charge for reasonably incurred connection expenses?
2.	Do you agree with our approach to not make specific provision for exemptions in the Statutory Instrument?
3.	Do you agree with our approach to not make specific provision for standard fees in the Statutory Instrument? Do you agree that the existing legal and regulatory provisions safeguard against over recovery by DNOs of A&D costs? Do you have any concerns and, if so, how could they be met in the drafting of Regulation 2?
4.	Do you agree with our assessment of the timing of charging A&D fees? What are your views on changing SLC 12 to allow DNOs to require payment of A&D fees as a precondition for providing a connection offer?
5.	Do you agree that Regulation 2 provides helpful clarity on notifying customers of the A&D fee? Are there any further aspects relating to DNOs providing information that you would like to see included in this regulation? Do you have any views on whether the Statutory Instrument should include provisions on the timing of DNO payment notifications? Do you agree that the Statutory Instrument does not need to specifically cover expenses incurred when connection applications are withdrawn?
6.	Do you agree that customers should be notified of their right to appeal against the A&D fees charged in relation to their connection offer? Do you agree that it is right to include these provisions in the Statutory Instrument?
7.	Do you agree with our approach to reviewing the implementation of upfront A&D fees in the Statutory Instrument?

Question

8.	Do you agree with our initial assessment of economic impacts and the assumptions used? Do you have any other evidence which should be taken into account?
9.	Are there any other comments you wish to make that may have a bearing on our considerations?

Annex A – Draft Statutory Instrument

STATUTORY INSTRUMENTS

2017 No.

ELECTRICITY

The Electricity (Connection Offer Expenses) Regulations 2017

<i>Made</i>	- - - -	***
<i>Laid before Parliament</i>		***
<i>Coming into force</i>	- -	***

The Secretary of State, in exercise of the powers conferred by sections 16A(4A) to (4C) and 60(3) of the Electricity Act 1989^(a), after consultation with the Gas and Electricity Markets Authority in accordance with section 16A(4A), makes the following Regulations:

Citation, commencement and interpretation

1.—(1) These Regulations may be cited as the Electricity (Connection Offer Expenses) Regulations 2017 and come into force on ***.

(2) In these Regulations, “the Act” means the Electricity Act 1989.

Requirement to pay connection offer expenses

2.—(1) This regulation applies where on or after *** a person (the “applicant”) gives an electricity distributor a notice under section 16A(1) of the Act (the “application”) requiring the electricity distributor to offer terms for making a connection to its distribution system.

(2) Subject to paragraphs (3) and (4), the electricity distributor may, by giving notice in writing to the applicant, require the applicant to pay expenses reasonably incurred by the electricity distributor in relation to the application in doing any of the following—

- (a) assessing the impacts of the connection on the distribution system;
- (b) assessing the impacts of the connection on a transmission system^(b);
- (c) designing the connection, including in particular—

^(a) 1989 c.29; section 16A was inserted by section 44 Utilities Act 2000 (c.27) and subsections (4A) to (4C) were added by section 98 of the Energy Act 2008 (c.32).

^(b) “Transmission system” is defined in section 4(4) for the purposes of Part 1 of the Electricity Act 1989.

- (i) designing reinforcement works required to add capacity to the distribution system;
- (ii) designing reinforcement works required to add capacity to a transmission system;
- (iii) designing any required extension of the distribution system;
- (iv) designing any required extension of a transmission system;

(d) preparing the information to be included in the notice to be given under section 16A(5) of the Act.

(3) The electricity distributor may not require the applicant to pay any expenses unless the electricity distributor gives the applicant notice in writing that the applicant may be required to pay expenses of the kind referred to in paragraph (2).

(4) The electricity distributor may not require the applicant to pay any expenses incurred before the date on which notice under paragraph (3) is given to the applicant.

(5) A notice under paragraph (2) 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 the date by which payment must be made and how payment may be made; and
- (d) include a statement of the effect of section 23 of the Act^(c).

Review

3.—(1) The Secretary of State must from time to time—

- (a) carry out a review of the regulatory provision contained in these Regulations; and
- (b) publish a report setting out the conclusions of the review.

(2) The first report must be published before ***.

(3) Subsequent reports must be published at intervals not exceeding 5 years.

(4) Section 30(4) of the Small Business, Enterprise and Employment Act 2015^(d) requires that a report published under this regulation must, in particular—

- (a) set out the objectives intended to be achieved by the regulatory provision referred to in paragraph (1)(a);
- (b) assess the extent to which those objectives are achieved;
- (c) assess whether those objectives remain appropriate; and
- (d) if those objectives remain appropriate, assess the extent to which they could be achieved in another way which involves less onerous regulatory provision.

(5) In this regulation, “regulatory provision” has the same meaning as in sections 28 to 32 of the Small Business, Enterprise and Employment Act 2015 (see section 32 of that Act).

Date

Name
Minister of State
Department for Business, Energy and Industrial Strategy

^(c) Section 23 has been amended by the Utilities Act 2000 (c. 27), section 108 and Schedule 6, Part II, paragraphs 24 and 26, the Infrastructure Act 2015 (c. 7), section 52(6), and S.I. 2014/631.

^(d) 2015 c.26.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations make provision for electricity distributors to charge for the cost of providing an electricity connection offer where a person who requires an electricity connection to be made has given notice under section 16A(1) of the Electricity Act 1989 requiring the electricity distributor to offer terms for making the connection under section 16A(5) of that Act. The Regulations apply to connection offer expenses, irrespective of whether the applicant subsequently accepts the electricity connection offer. The Regulations provide that the applicant must be informed of the charge before expenses are incurred and for the manner in which the charge is to be notified.

DRAFT

Annex B – Summary of Responses to Call for Evidence

Introduction

On 24 March 2016 Government published a Call for Evidence seeking stakeholder views on allowing DNOs to charge upfront A&D fees²⁸. The Call for Evidence closed on 6th May.

We received 26 responses from DNOs, independent connection providers, developers, trade associations, community energy groups, and Ofgem. A full list of respondents is at Annex B.

This chapter sets out a summary of the responses received from stakeholders to the questions we posed in the Call for Evidence. We are grateful for the input received from stakeholders. We have considered all the issues raised by respondents to the Call for Evidence which has contributed to developing our policy.

Questions and Responses

- 1. Has the absence of upfront A&D fees contributed to the increase of connection applications and of offers not accepted? Have other factors contributed to this? Are there different reasons for increases in applications and offers not accepted between generation and demand or large and small customers?**

Nineteen respondents thought that an absence of upfront A&D fees may have contributed to a rise in applications, although most felt that it was not the only factor. They highlighted other factors including Government policies including financial incentives for renewable generation and wider economic conditions. The main argument was not that the removal of upfront A&D fees had caused a surge in applications but that had they remained they would have had a dampening effect on applications caused by the other factors mentioned above. Two respondents argued that an absence of A&D fees had not contributed to a rise in applications.

²⁸ <https://www.gov.uk/government/consultations/assessment-and-design-fees-call-for-evidence>

2. Do you support allowing DNOs to introduce upfront A&D fees?

There was strong support for allowing the introduction of upfront A&D fees. The majority of respondents were in favour with only one respondent against.

3. What benefits do you feel that allowing the introduction of upfront A&D fees would bring?

Respondents felt that introducing upfront A&D fees would reduce speculative connection applications, allow a fairer allocation of cost, and improve customer service including potentially reducing the time taken to receive a connection offer.

4. What negative impacts might the introduction of upfront A&D fees have, including on other customers? How might they be mitigated?

Many respondents highlighted that, depending on how the fees were applied, smaller connections (such as community projects) might find a fee a barrier to development as they were less likely to have funds available at the early stages of their projects. This could discourage projects coming forward which, one respondent argued, could lead to less competition in the electricity generation market and higher prices to consumers. The increased administrative burden on DNOs, for example developing new processes and processing payments from more customers, was also of concern to some respondents and it was suggested that fees should be high enough to offset this.

5. Are there other actions which might reduce speculative applications and/or promote fairness in charging either instead of, or in support of, the introduction of upfront A&D fees? For example information made freely available by DNOs to inform customers.

Many respondents felt that DNOs were increasingly providing valuable data for connection customers and were keen that that 'heat maps', stakeholder events, surgeries and one-to-one events on request should remain free to customers. Some felt that more could be done by DNOs in this area to assist connection customers and support competition.

Active queue management was also recommended as an option to reduce speculative applications and was thought to be particularly valuable in alleviating capacity constraints.

In the event of DECC allowing upfront A&D fees to be introduced...

6. How should the A&D fees be applied? Should there be any category of application that is exempt from upfront A&D fees? Why?

Almost half of the 22 stakeholders who responded directly to this question thought small scale connections should be exempt from fees. They felt that the charges could act as a barrier to these projects but also that the administrative costs of charging the fee would not

make this cost-effective. Some noted that smaller scale projects tended not to be speculative in nature. Respondents also wanted A&D fees to be reflective of the costs incurred by DNOs in preparing connection offers.

Four respondents argued that A&D fees should be applied to all applications regardless of size.

7. What type of upfront A&D fees do you think should be levied eg flat fee for all connections, flat fee dependent on size of connection, a cap with DNOs setting own fees beneath that, fully cost reflective, etc.? Why? Should they be levied at the point of application or when an offer is made?

Eight respondents supported the levying of a flat fee. Most respondents felt fees relating to the capacity being requested by customers would be simple and fair. However, one respondent noted that the complexity of a connection was not always commensurate with the size of connection being applied for. It was also suggested that for larger connections, customers might be given the choice of a flat fee or being charged the actual cost of providing the connection offer. In responding many stakeholders emphasised the need for charges to be cost reflective overall and for transparency in charging.

Many respondents felt that A&D fees should be levied at point of application, regarding this as simple and likely to have the biggest impact on reducing speculative applications. However, allowing DNOs the flexibility to choose between point of application and point of offer for levying the fee was also proposed.

8. If a flat fee (either for all customers or dependent on size of connection), what levels should A&D fees be set at? Should they change over time e.g. index-linked?

A variety of levels for charges were proposed. There was some support for index linking but also for such considerations to be part of the regulatory framework rather than being covered in legislation. The need for cost reflectivity was reiterated by some respondents. Some respondents also suggested that the current approach and methodology for charging A&D fees represented a good model.

9. What type and level of implementation costs would there be?

The majority of respondents were not in a position to answer this question. Those who did respond, primarily DNOs, felt that implementation costs would be minimal.

10. What type and level of familiarisation costs would there be? Familiarisation costs are the costs associated with getting used to a new system. Would it take DNOs or customers long to get used to the new system and what type and level of costs would be associated with this transition?

Respondents did not foresee significant familiarisation costs, with DNOs expecting to cover this in their existing activities for example in training, stakeholder engagement, and updating websites.

11. How much notice of introducing upfront A&D fees would be desirable or necessary to ensure this happened effectively and why?

Of the 16 respondents to this question, five felt that upfront A&D fees should be introduced as soon as practicably possible with three arguing that a long lead time could produce a rush of applications prior to implementation. Four respondents felt that three months would be appropriate while a further three advocated between 6-9 months. Two respondents thought 12 months or more would be appropriate. One respondent said it should depend on the time it takes for DNOs to implement the changes while another observed that the charges should not be applied retrospectively.

12. How should the impact of any introduction of upfront A&D fees be monitored or reviewed e.g. periodic review, assessment of the impact on applications and accepted offers, identification of any unintended consequences?

A variety of responses were received from the 15 stakeholders who provided views. The majority felt that review and monitoring should be covered within the existing regulatory reporting framework with one suggesting that Government should review implementation. Most felt monitoring should be ongoing with some suggesting an in-depth review after 12-18 months followed by lighter touch arrangements thereafter. Suggestions for areas to be covered by monitoring and review included impact on speculative applications, comparing numbers of applications by market segment received before and after implementation, and recording of instances of late payment.

13. Are there any other comments you wish to make at this stage that may have a bearing on our considerations?

Two respondents suggested that customers should be given a deadline to progress their accepted connections with their capacity being released if sufficient progress was not made. Another respondent thought other options such as feasibility studies should be priced and controlled for quality to make them more attractive to customers.

14. Are there other actions which might reduce speculative applications and/or promote fairness in charging either instead of, or in support of, the introduction of upfront A&D fees? For example information made freely available by DNOs to inform customers.

Many respondents felt that DNOs were increasingly providing valuable data for connection customers and were keen that that heat maps, stakeholder events, surgeries and one-to-one events on request should remain free to customers. Some felt that more could be done by DNOs in this area to assist connection customers and support competition.

Active queue management was also recommended as an option to reduce speculative applications and was thought to be particularly valuable in alleviating capacity constraints.

15. How should the A&D fees be applied? Should there be any category of application that is exempt from upfront A&D fees? Why?

Almost half of the 22 stakeholders who responded directly to this question thought small scale connections should be exempt from fees. They felt that the charges could act as a barrier to these projects but also that the administrative costs of charging the fee would not make this cost effective. Some noted that smaller scale projects tended not to be speculative in nature. Respondents also wanted A&D fees to be reflective of the costs incurred by DNOs in preparing connection offers.

Four respondents argued that A&D fees should be applied to all applications regardless of size.

16. What type of upfront A&D fees do you think should be levied eg flat fee for all connections, flat fee dependent on size of connection, a cap with DNOs setting own fees beneath that, fully cost reflective, etc.? Why? Should they be levied at the point of application or when an offer is made?

Eight respondents supported the levying of a flat fee. Most respondents felt fees relating to the capacity being requested by customers would be simple and fair. However, one respondent noted that the complexity of a connection was not always commensurate with the size of connection being applied for. It was also suggested that for larger connections, customers might be given the choice of a flat fee or being charged the actual cost of providing the connection offer. In responding many stakeholders emphasised the need for charges to be cost reflective overall and for transparency in charging.

Many respondents felt that A&D fees should be levied at point of application, regarding this as simple and likely to have the biggest impact on reducing speculative applications. However, allowing DNOs the flexibility to choose between point of application and point of offer for levying the fee was also proposed.

17. If a flat fee (either for all customers or dependent on size of connection), what levels should A&D fees be set at? Should they change over time e.g. index-linked?

A variety of levels for charges were proposed. There was some support for index linking but also for such considerations to be part of the regulatory framework rather than being covered in legislation. The need for cost reflectivity was reiterated by some respondents. Some respondents also suggested that the current approach and methodology for charging A&D fees represented a good model.

18. What type and level of implementation costs would there be?

The majority of respondents said that they were not in a position to answer this question. Those who did respond, primarily DNOs, felt that implementation costs would be minimal.

19. What type and level of familiarisation costs would there be? Familiarisation costs are the costs associated with getting used to a new system. Would it take DNOs or customers long to get used to the new system and what type and level of costs would be associated with this transition?

Respondents did not foresee significant familiarisation costs, with DNOs expecting to cover this in their existing activities for example in training, stakeholder engagement, and updating websites.

20. How much notice of introducing upfront A&D fees would be desirable or necessary to ensure this happened effectively and why?

Of the 16 respondents to this question, five felt that upfront A&D fees should be introduced as soon as practicably possible with three arguing that a long lead time could produce a rush of applications prior to implementation. Four respondents felt that three months would be appropriate while a further four advocated between 6-9 months. Two respondents thought 12 months or more would be appropriate. One respondent said it should depend on the time it takes for DNOs to implement the changes while another observed that the charges should not be applied retrospectively.

21. How should the impact of any introduction of upfront A&D fees be monitored or reviewed e.g. periodic review, assessment of the impact on applications and accepted offers, identification of any unintended consequences?

A variety of responses were received from the 15 stakeholders who provided views. The majority felt that review and monitoring should be covered within the existing regulatory reporting framework with one suggesting that Government should review implementation. Most felt monitoring should be ongoing with some suggesting an in-depth review after 12-

18 months followed by lighter touch arrangements thereafter. Suggestions for areas to be covered by monitoring and review included impact on speculative applications, comparing numbers of applications by market segment received before and after implementation, and recording of instances of late payment.

22. Are there any other comments you wish to make at this stage that may have a bearing on our considerations?

Two respondents suggested that customers should be given a deadline to progress their accepted connections with their capacity being released if sufficient progress was not made. Another respondent thought other options such as feasibility studies should be priced and controlled for quality to make them more attractive to customers.

Annex C – List of Respondents to Call for Evidence

Association for Decentralised Energy
The AES Corporation
Aura Power
BAN Renewables
Brookfield Utilities Ltd
Electricity Storage Network
Energy Networks Association
Energy UK
Electricity North West Limited
Green Hedge
Lark Energy
Northern Power Grid
Ofgem
Renewable Energy Association
Renewable Energy Systems Limited
RenewableUK
RWE Innology UK Ltd
Scottish Renewables
Solar Trade Association
Scottish Power Energy Networks
Scottish and Southern Energy Networks
Tegni Cymru Cyf
Two Valleys Community Energy
UK Power Reserve
UK Power Networks
Western Power Distribution

