
Widening the scope and application of the Second Comer Regime

Department of Energy and Climate Change

RPC rating: - **Fit for purpose**

Description of proposal

The Electricity Connection Charges Regulations 2002 (also known as the 'Second Comer Regime') are designed to ensure the cost of connecting to the electricity distribution network is shared fairly between different parties. Specifically, the regime provides that where a party (the 'second comer') benefits from infrastructure that was paid for by an earlier party, the second comer must reimburse the earlier party for a proportionate share of the costs. A new connection to the electricity network can be provided by:

- a distribution network operator (DNO) - a monopoly owner and operator of the network e.g. UK Power Networks;
- an independent distribution network operator (IDNO) – smaller companies that develop, operate and maintain local electricity distribution networks; or
- an independent connections provider (ICP) – an accredited company that is entitled to build electricity networks.

The Department proposes to amend the regulations in four areas to:

- bring connections made by ICPs within scope of the Second Comer Regime;
- extend the time period where second comer payments apply from five years to ten years;
- bring connections between DNOs and IDNOs within scope of the Second Comer Regime; and
- bring connections made through a Section 22 agreement (mainly covering instances where a connection is being sought by a consortium) within scope of the Second Comer Regime.

Impacts of proposal

Since second comer payments are transfers between businesses, there is no net cost to business resulting from additional second comer payments. Overall, only the additional administrative costs result in a net cost to business. The Department estimates the equivalent annual net cost to business resulting from this to be £0.06 million.

The Department estimates that, as a result of the proposal, additional second comer payments of £0.55 million each year will be made by extending the coverage to include ICPs. It also estimates payments of £1.14 million each year as a result of extending the period for second comer payments from five to 10 years.

In addition, DNOs/IDNOs will incur additional administrative costs associated with processing additional second comer payments. The Department estimates that the additional average annual cost of this will be £0.06 million each year.

The Department has not monetised the potential payments for connections between distribution systems or for Section 22 agreement connections. The Department states that it does not have sufficient data to monetise the impacts of the Section 22 amendment. However, the Consultation provided evidence that Section 22 agreements and connections between distribution systems are rare. The Department, therefore, expects total second comer payments from these sources to be very small.

Quality of submission

The Department's estimates of the overall size of the additional second comer payments and the net cost to business appear reasonable. The impact assessment would have benefitted from attempting to monetise the impact of Section 22 connections and connections between distributors, even though the Department expects these impacts to be small. However, since second comer payments are business to business transfers, there would be no overall net cost to business apart from small additional administrative costs.

Small and micro business assessment

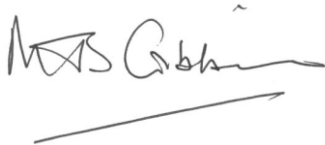
The IA explains that bringing ICPs in scope of the second comer regime will be beneficial to small and micro businesses, as ICPs tend to be smaller companies compared to DNOs/IDNOs, which tend to be larger companies.

Initial departmental assessment

Classification	Qualifying Regulatory Provision (IN)
Equivalent annual net cost to business (EANCB)	£0.06 million
Business net present value	-£0.48 million
Societal net present value	-£0.48 million

RPC assessment

Classification	Qualifying Regulatory Provision (IN)
EANCB – RPC validated	£0.06 million
Small and micro business assessment	Sufficient



Michael Gibbons CBE, Chairman