

ELECTRICITY INFRASTRUCTURE TECHNICAL WORKING GROUP – 22 July 2014

FACILITATING STRATEGIC INVESTMENT IN ELECTRICITY DISTRIBUTION INFRASTRUCTURE

ACTIONS

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| <p>Identifying ‘defined development areas’ (DDAs)</p> <ul style="list-style-type: none"> • criteria for selecting the areas • types of development covered • scope to include types of development / new electricity demand UK wide • processes for identifying and establishing them • sources of evidence • thresholds of certainty | <p>GLA UKPN Core Cities HM Treasury</p> |
| <p>Additional costs (‘carrying costs’)</p> <ul style="list-style-type: none"> • determining the works to be included • how the cost is made up – interest on capital / depreciation / O&M? • other costs? • determining elements of passive provision to reduce future investment costs valuation through NPV or ROV | <p>UKPN Ramboll GLA</p> |
| <p>Modelling examples</p> <ul style="list-style-type: none"> • identify historical / examples of DDAs • include example land /development /industrial values • identify scenarios of quantum of carrying cost and its impact on DNOs /developers /others – local authorities? • Identify funders and risk carriers for each approach | <p>GLA Ramboll UKPN Core Cities</p> |
| <p>Adapting the Strategic Wider Works (transmission) as a workable process for distribution</p> <ul style="list-style-type: none"> • the participating parties • identification of necessary advance investment • the processes for selecting the DDA and identifying costs • the sanctioning of the investment /costs <p>This involves the conclusions and output re. the criteria for DDAs / determination of carrying costs / modelling examples referred to above</p> | <p>UKPN GLA HM Treasury</p> |
| <p>Preliminary consultations with stakeholders – government /Ofgem / Developers /industry / local authorities / others</p> <ul style="list-style-type: none"> • conclusions of function and structure of DDAs • determination and allocation of costs • impact of DECC consultation on Connection Regulations • other issues <p>Consultation process is iterative and will occur selectively throughout the processes referred to above</p> | <p>All</p> |
| <p>Creating a complete and transparent proposal for facilitating strategic investment</p> <ul style="list-style-type: none"> • outline proposal circulated selectively for comment • identification of weaknesses / gaps in risk management /cost recovery | <p>GLA Ramboll UKPN HM Treasury</p> |
| <p>Consideration of legislative and regulatory change necessary</p> <ul style="list-style-type: none"> • will any aspects of the draft proposals require primary legislation – if so action to be taken or can proposals be changed to avoid it? (potential requirement to redefine Section 16?) | <p>GLA UKPN DECC Ofgem</p> |

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| <ul style="list-style-type: none">• any changes required in secondary legislation –e.g. special provisions in the Connection Regulations• changes on Ofgem regulatory practice | |
| Completion of finite proposal and circulation for comment /decision | GLA UKPN |