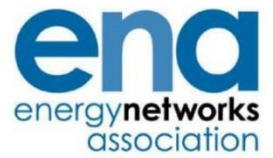


**The Voice of the Networks**



# **Energy Networks Association**

**Electricity (Connection  
Charges) Regulations 2017**

**Guidance Document**

**October 2020**

## **Overview:**

The Electricity (Connection Charges) Regulations 2017 (ECCR 2017) provide that where a person connects to, and benefits from, electricity infrastructure that was paid for by an earlier party, the earlier party can be reimbursed for a share of the costs by the subsequent connecting customer.

This document provides guidance on the interpretation of the ECCR 2017.

This document has been produced to assist stakeholders and is not legally binding.

## Context

Getting connected to the local electricity distribution networks is important. It allows businesses to begin trading, new homes to be lived in, and renewable energy to be generated.

Under the Electricity Act 1989, the person who requests a connection is required to pay a proportion of the cost of getting connected to the network. There are a number of rules in place to ensure that connection customers pay a fair price. For example, connection charges should be calculated in accordance with the Electricity Distributors' obligations under legislation and the electricity distribution licence.

The first regulations on connection charging - Electricity (Connection Charges) Regulations 2002 - were made in 2002. In 2017, the Department for Business, Energy and Industrial Strategy (BEIS) made the latest version of regulations.

The Electricity (Connection Charges) Regulations 2017 (ECCR 2017) is one of the relevant pieces of legislation that ensures customers pay a fair price to get connected. The ECCR 2017 state that if a Second Connection customer benefits from infrastructure that was paid for by an earlier party, the Second Connection customer should reimburse the earlier party to account for their proportion of the new infrastructure.

This document has been developed by the Distribution Network Operators to provide guidance on the interpretation of the ECCR 2017.

## Document Control

### Authorities

Version	Issue Date	Authorisation	Comments
1.0	1 Sept 2020	COG Connections	

### Related Documents

<b>Reference 1</b>	The Electricity (Connection Charges) Regulations 2017; <a href="http://www.legislation.gov.uk/ukxi/2017/106/made">http://www.legislation.gov.uk/ukxi/2017/106/made</a>
<b>Reference 2</b>	The Electricity (Connection Charges) Regulations 2002; <a href="http://www.legislation.gov.uk/ukxi/2002/93/pdfs/ukxi_20020093_en.pdf">http://www.legislation.gov.uk/ukxi/2002/93/pdfs/ukxi_20020093_en.pdf</a>
<b>Reference 3</b>	Section 52 of the Infrastructure Act 2015 which amends the Electricity Act 1989 to add Schedule 5B <a href="http://www.legislation.gov.uk/ukpga/2015/7/section/52/enacted">http://www.legislation.gov.uk/ukpga/2015/7/section/52/enacted</a>

### Change History

Version	Issue Date	Description
1.0	1 Sept 2020	Initial issue

### Distribution

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## Executive Summary

Under the Electricity Act 1989 (EA 89), a person who requests a connection to the GB electricity distribution network is required to pay a proportion of the cost of getting connected to the network. There are rules in place to ensure that connection customers pay a fair price to get connected.

The Electricity (Connection Charges) Regulations (ECCR) 2017 (the ECCR 2017) deal with connection charging. Under the ECCR 2017, where a person connects to and benefits from electricity infrastructure that was paid for by an earlier party, this earlier party can be reimbursed for a share of these costs by the subsequent connecting customer.

We are not required to produce this guidance but have chosen to do so to assist stakeholders in interpreting the ECCR 2017. In the event of any inconsistency between the ECCR 2017 and this guidance document, the ECCR 2017 should prevail. This document is not a substitute for specific legal advice.

Specifically, this document provides guidance to stakeholders on:

- a) the relevant requirements that need to be met for a party to be eligible to receive a Reimbursement Payment under the ECCR 2017,
- b) the steps that we expect Electricity Distributors to take to identify Eligible Persons,
- c) how Electricity Distributors should calculate the value of any Reimbursement Payment under the ECCR 2017,
- d) the timescales for requiring Reimbursement Payments from Subsequent Contributors and making Reimbursement Payments to Eligible Persons,
- e) the information that Electricity Distributors should make available to Subsequent Contributors when requested, and
- f) the information that Electricity Distributors should hold to comply with the ECCR 2017.

The appendix to this document also contains examples to illustrate the guidance on eligibility for, and calculation of, a Reimbursement Payment.

# 1 Introduction

## Chapter Summary

This chapter provides an overview of the ECCR 2017 and clarifies the purpose of this document.

## Purpose of this document

- 1.1 The objective of this document is to assist stakeholders on our interpretation of the ECCR 2017. The Electricity (Connection Charges) Regulations 2002<sup>1</sup> (the ECCR 2002) are not within the scope of this document.
- 1.2 This document also has the benefit of ensuring that Electricity Distributors apply the ECCR 2017 on a consistent basis and providing guidance to customers on how the ECCR 2017 should be applied.

## Legal framework for the Electricity (Connection Charges) Regulations

- 1.3 Section 19 EA 89 allows the Secretary of State to make regulations which allow for the sharing of costs among persons requiring electricity connections to a distribution network.
- 1.4 The Secretary of State exercised these powers to make the ECCR 2002. On the 6 April 2017, the ECCR 2017 also came into force. Whether the ECCR 2002 or the ECCR 2017 may apply in any specific situation is dependent on the date on which the First Connection is made.
- 1.5 The key changes from the ECCR 2002 to the ECCR 2017 were to:
  - a) extend the scope compared to the ECCR 2002 to incorporate customers that opt to use an independent connection provider (ICP), rather than an Electricity Distributor to complete the First Connection;
  - b) extend the scope compared to the ECCR 2002 to incorporate customers that have connected under section 22 EA 89, rather than just section 16 EA 89<sup>2</sup>;
  - c) oblige the Electricity Distributor to demand a Reimbursement Payment in all cases where the conditions are met (rather than leaving it to their discretion); and
  - d) extend the time period for eligibility for a Reimbursement Payment. Under the ECCR 2017, up to 10 years can elapse between the First and Second Connection. The equivalent period under the ECCR 2002 is 5 years.

## Purpose of the ECCR 2017

- 1.6 Under the EA 89, any person that requests a connection is required to pay a proportion of the costs associated with getting connected to the network. There are a number of rules in place to ensure that connection customers pay a fair proportion of the costs.
- 1.7 Under the ECCR 2017, if an Electricity Distributor notes that a Second Connection uses assets that were paid for by an earlier party, the Electricity Distributor is required where the criteria are met, to:
  - a) charge the Second Connection customer for using these assets; and
  - b) use this money to reimburse the party that paid for the asset.

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<sup>1</sup> <http://www.legislation.gov.uk/ukxi/2002/93/made>

<sup>2</sup> Section 16 EA 89 refers to the general duty for the DNO to connect a customer upon request, whereas section 22 EA 89 refers to the specific case where the person who requires a connection and the DNO adopt special agreements with respect to the connection,

## Compliance

- 1.8 This document is intended to assist stakeholders to understand the general framework of the regulations. It is not a substitute for specific legal advice.
- 1.9 In the event of any inconsistency between the ECCR 2017 and this document, the ECCR 2017 take precedence.
- 1.10 In this guidance document, unless the context otherwise requires, any reference to the singular includes the plural, and vice versa.

## Disputes

- 1.11 If a connection customer is concerned that an Electricity Distributor has not complied with the ECCR 2017, we would encourage the customer to resolve their dispute with the company concerned.<sup>3</sup> A copy of the company's complaints handling procedure can be requested from the company by telephone, email or their website.
- 1.12 If the matter remains unresolved for more than eight weeks or reaches a point of deadlock (where the network company cannot do anything more to resolve the complaint), domestic and small (micro) business customers can take their complaint to the Energy Ombudsman.<sup>4</sup>
- 1.13 The Energy Ombudsman investigates complaints from domestic and small (micro) business consumers that the network company cannot resolve to the customer's satisfaction. If the Ombudsman finds in favour of the customer, the Ombudsman can direct a company to take practical action to resolve a complaint and, in some cases, make a financial award.
- 1.14 Ofgem has the power to determine disputes between Electricity Distributors and customers (both commercial and domestic) in certain circumstances. More information on Ofgem's determination powers, and how to refer a determination to Ofgem, can be found in its guidance<sup>5</sup>.

## Transition from the ECCR 2002 to the ECCR 2017

- 1.15 The ECCR 2002 apply to First Connections made before 6 April 2017. The prescribed period under the ECCR 2002 (of five years from the date of a First Connection being made) expires on or before 5 April 2022.
- 1.16 The ECCR 2017 apply in cases where a First Connection is made on or after 6 April 2017.

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<sup>3</sup> Since the introduction of the Consumers, Estate Agents and Redress (CEAR) Act 2007 and the Gas and Electricity (Consumer Complaints Handling Standards) Regulations 2008, Electricity Distributors are required to establish arrangements to handle complaints and disputes involving domestic and micro business customers.

<sup>4</sup> <https://www.ombudsman-services.org/energy.html>

<sup>5</sup> <https://www.ofgem.gov.uk/ofgem-publications/38164/determinationsguidanceaug2012.pdf>



## 2 Scope of the ECCR 2017

### Chapter Summary

This chapter provides guidance on the scope of the ECCR 2017

### The applicability of the ECCR 2017

- 2.1 The ECCR 2017 specify how Electricity Distributors should recover from Subsequent Contributors an appropriate amount in order to reimburse the First Connection customer with a proportion of the expenses incurred by it in first providing the electric line or electrical plant for the purposes of making a First Connection.
- 2.2 The ECCR 2017 only apply when a Second Connection is made (i) between a premise and the distribution system or (ii) between distribution systems, making use of electric line or electrical plant provided for the purposes of making a First Connection. Moreover, the Second Connection must be made within the prescribed period of 10 years from the date on which the First Connection was made.

### The First Connection

- 2.3 The ECCR 2017 only apply where there has been a First Connection<sup>6</sup> between a premise and a distribution system or between two distribution systems. The ECCR 2017 only apply to connections that have installed Extension Assets and/or required Reinforcement to be undertaken. The person requiring the First Connection should have made a payment in respect of Net First Connection Expenses.
- 2.4 The ECCR 2017 apply regardless of whether an ICP or Electricity Distributor made the First Connection<sup>7</sup>.
- 2.5 It is not possible for an Electricity Distributor to recover costs under the ECCR 2017 for Reinforcement work costs that have not been triggered by a First Connection.
- 2.6 For the sake of clarity, where two connections have been requested, the First Connection will be the earliest connection made between premises and a distribution system, or between two distribution systems, regardless of which connection the Electricity Distributor initially considered would be made first.

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<sup>6</sup> This includes any connection made under section 16 of the Electricity Act 1989 and any other arrangement that a person enters into an arrangement with an Electricity Distributor to provide a connection (eg under section 22 of the Electricity Act).

<sup>7</sup> If an ICP made the First Connection, the new electric line and electrical plant installed would have been adopted by an Electricity Distributor.

## The Second Connection

- 2.7 The ECCR 2017 apply to any Second Connection<sup>8</sup> made between a premise and a distribution system or between two distribution systems that uses electric line or electrical plant that was provided for the purposes of making a First Connection.
- 2.8 The person who has obtained the Second Connection is also known as the “second comer”.
- 2.9 The definition of Second Connection includes all subsequent connection customers that use electric line or electrical plant that was provided for the purpose of making a First Connection.

## The Prescribed Period

- 2.10 The ECCR 2017 only apply when the Second Connection is made within the prescribed period.
- 2.11 The prescribed period for the ECCR 2017 begins on the date that the First Connection is made and ends ten years after that date.

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<sup>8</sup> This includes any connection made under section 16 of the Electricity Act 1989 and any other arrangement that a person enters into an arrangement with an Electricity Distributor to provide a connection (eg under section 22 of the Electricity Act).

## 3 Eligible Persons

### Chapter Summary

This chapter provide guidance on the requirements for parties to be eligible to receive a Reimbursement Payment under the ECCR 2017.

- 3.1 Under the ECCR 2017, if a Second Connection is made between a premises and the distribution system or between distribution systems that makes use of electric line or electrical plant provided for the purposes of making a First Connection, the Second Connection customer should, unless exceptions apply, reimburse the party (or parties) that paid for them.
- 3.2 There are five types of person that may be eligible for a Reimbursement Payment (hereafter the "Eligible Persons"):
- a) the Initial Contributor, who at the Relevant Time owns or occupies the premises or distribution system to which the First Connection was made;
  - b) a person who on a previous occasion e.g. when a Second Connection was made, has made a Reimbursement Payment under the ECCR 2017, in respect of Net First Connection Expenses and at the Relevant Time owns or occupies the premises or distribution system to which the Second Connection was made;
  - c) a person to whom the right to receive the Reimbursement Payment has been assigned and who at the Relevant Time owns or occupies the premises or distribution system to which the First Connection was made;
  - d) an Electricity Distributor that has previously incurred First Connection Expenses and has not fully recovered these expenses from any other person; and
  - e) a person other than an Initial Contributor, who has made a Reimbursement Payment under the ECCR 2017 or an Electricity Distributor, who has made a payment to an Electricity Distributor or an ICP in respect of Net First Connection Expenses.
- 3.3 The five types of Eligible Persons identified in the paragraph 3.2 are further clarified below.

#### A. The Initial Contributor

- 3.4 The Initial Contributor means the person who has obtained the First Connection and made a payment to either an Electricity Distributor or an ICP in respect of Net First Connection Expenses. The Initial Contributor is sometimes known colloquially as the "first comer".
- 3.5 Where an ICP installs the electric line or electrical plant for the purpose of making the First Connection, the owner or occupier of the relevant premises or the distribution system that contracted with the ICP is the Initial Contributor (not the ICP).
- 3.6 If the Initial Contributor ceases to own or occupy the relevant premises or to own the distribution system, it ceases to be an Eligible Person. The Initial Contributor may assign the right to a Reimbursement Payment to the new owner or occupier of the relevant premises or to the owner of the distribution system.

#### B. A person who has made a Reimbursement Payment under the ECCR 2017

- 3.7 Any person that has previously made a Reimbursement Payment under these regulations in respect of Net First Connection Expenses and who at the Relevant Time owns or occupies the premises or distribution system, is also an Eligible Person.
- 3.8 For example, if a Subsequent Contributor makes a Reimbursement Payment in relation to Net First Connection Expenses, the Subsequent Contributor could become an Eligible Person if further subsequent customers use any of the assets that it has now paid towards. If, over time, multiple customers connect to an electric line that was installed for the purpose of

making a First Connection, this could create multiple Eligible Persons and multiple Reimbursement Payments, as outlined in the example below. The effect would be:

- a) the second connectee would only reimburse the Initial Contributor;
- b) the third connectee would reimburse the second connectee and the Initial Contributor;
- c) the fourth connectee would reimburse the third connectee, the second connectee and the Initial Contributor; and so on.

- 3.9 If a person that made a Reimbursement Payment under these regulations ceases to own or occupy the relevant premises or to own the distribution system, this person ceases to be an Eligible Person. The person that made the payment under these Regulations may assign the right to a Reimbursement Payment to the new owner or occupier of the relevant premises or distribution system.

### C. A person to whom the right to receive the Reimbursement Payment has been assigned

- 3.10 The holder of a right to receive a Reimbursement Payment may assign the right to receive the Reimbursement Payment to a third party. The party to whom the rights are assigned then becomes the Eligible Person, for as long as this person owns or occupies the premises or owns the distribution system to which the previous connection was made.
- 3.11 If the person to whom the right has been assigned ceases to own or occupy the relevant premises or to own the distribution system when the Second Connection is made, then that person ceases to be an Eligible Person.
- 3.12 If the holder of a right to receive a Reimbursement Payment does not assign the right to receive a Reimbursement Payment onto a third party, the right to a Reimbursement Payment is not transferred. For example, if the owner of a premises is an Eligible Person and decides to sell the premises, the new owner is not automatically entitled to receive a Reimbursement Payment under the ECCR 2017. For the new owner of the premises to become an Eligible Person, the right to receive a Reimbursement Payment should have been assigned to them by the previous owner or occupier, of the premises.

### D. An Electricity Distributor

- 3.13 An Electricity Distributor may also be an Eligible Person if it incurs First Connection Expenses as a result of undertaking Reinforcement Work or Enhanced Scheme work for which it does not fully recover the costs from any other Person(s). The appendix contains examples (5, 6 and 7) of when an Electricity Distributor may have incurred Net First Connection Expenses.

### E. Another person that has made a payment in respect of Net First Connection Expenses

- 3.14 This category captures any person other than:
- a) an Initial Contributor,
  - b) a person who has made a Reimbursement Payment under these Regulations or
  - c) an Electricity Distributor,
- who has made a payment to an Electricity Distributor or an ICP in respect of Net First Connection Expenses.
- 3.15 For example, a third party acting independently of a person that obtains the connection may decide to make a payment in respect of the Net First Connection Expenses. Since this third party has not obtained the connection, it is not captured by the definition of "Initial Contributor". They would however be an Eligible Person for a Reimbursement Payment

because they made a payment to the Electricity Distributor in respect of Net First Connection Expenses. A person who is acting for, or who is an agent of the person obtaining the connection would not be eligible under this category of Eligible Person.

## 4 Steps to be taken to identify Eligible Persons

### Chapter Summary

This chapter summarises the steps that we expect Electricity Distributors to take to identify the Eligible Persons and their contact details.

- 4.1 The ECCR 2017 places an obligation on the Electricity Distributor to take reasonable steps to ascertain if there are any Eligible Persons and if so, to record their name and address.
- 4.2 For each category of Eligible Person, the reasonable steps could include, without being limited to, the following actions.

### A. When the Eligible Person is the Initial Contributor

#### Where an Electricity Distributor completes the First Connection

- 4.3 Where the Eligible Person is the Initial Contributor and the Electricity Distributor completed the First Connection, the Electricity Distributor should already hold the name and the address of the Initial Contributor as a result of the connection application process. The Electricity Distributor should use this information to contact the relevant person.
- 4.4 The Electricity Distributor should also hold information on the Net First Connection Expenses, which it can use to help calculate the value of any Reimbursement Payment. Guidance on how Electricity Distributors should calculate the value of any Reimbursement Payments due under the ECCR 2017 can be found in chapter 5. If, having taken reasonable steps to do so, the Electricity Distributor is unable to ascertain the name and address of the Initial Contributor, the relevant Electricity Distributor should not be required to make a Reimbursement Payment to the Eligible Person.

#### Where an ICP completes the First Connection

- 4.5 In cases where an ICP completed the First Connection, the ICP should provide to the Electricity Distributor the relevant contact details for the Initial Contributor that paid for the connection. Electricity Distributors should ensure that the process of transferring assets from ICPs to Electricity Distributors includes provisions that allow this information to be supplied. If the Electricity Distributor does not have contact details for the Initial Contributor, the Electricity Distributor should request them from the ICP.
- 4.6 If no contact details are provided by the ICP regarding the Initial Contributor, the Electricity Distributor should take reasonable steps to find contact details for the Initial Contributor. If, having taken reasonable steps to do so, the Electricity Distributor is unable to ascertain the name and address of the Initial Contributor, the relevant Electricity Distributor is not required to make a Reimbursement Payment to the Eligible Person.

### B. When the Eligible Person is a Subsequent Contributor who has made a payment under these Regulations

- 4.7 If the Eligible Person is another person that has made a payment in relation to Net First Connection Expenses, the Electricity Distributor should consult their own records to identify the relevant contact details.
- 4.8 If no contact details are available for the person that made a payment under these Regulations, then the Electricity Distributor should take reasonable steps to locate the relevant contact details. If, having taken reasonable steps to do so, the Electricity Distributor

is unable to ascertain the name and address of the Eligible Person, the relevant Electricity Distributor should not be required to make a Reimbursement Payment to the Eligible Person.

### C. When the Eligible Person has been assigned the right to receive a Reimbursement Payment

- 4.9 We recommend that the holder of the right to a Reimbursement Payment notify the Electricity Distributor if it assigns the right to receive a Reimbursement Payment to another person. Chapter 3 of this document outlines information on how the process of assignment should work.
- 4.10 If the holder of the right to a Reimbursement Payment does not notify the Electricity Distributor that it has assigned the rights to a Reimbursement Payment to a third party, it should do so and provide the contact details of the third party when the Electricity Distributor contacts it to notify it that it is eligible for a Reimbursement Payment.
- 4.11 If the original holder of the right to a Reimbursement Payment confirms that it has assigned the rights for a Reimbursement Payment to a third party, but does not provide any contact details, then the Electricity Distributor should take reasonable steps to locate the relevant contact details. If, having taken reasonable steps to do so, the Electricity Distributor is unable to ascertain the name and address of the person to whom the rights were assigned to, the relevant Electricity Distributor should not be required to make a Reimbursement Payment to the Eligible Person.

### D. When the Eligible Person is an Electricity Distributor

- 4.12 If the Eligible Person is an Electricity Distributor, no further information is required.

### E. When the Eligible Person is another person that has made a payment in respect of Net First Connection Expenses

- 4.13 If a third party pays Net First Connection Expenses at the time of the First Connection, the Electricity Distributor should normally have the contact details for this party. If the Electricity Distributor does not however have the contact details for this party, it should contact the customer that requested the First Connection to ask to provide contact details for the party that paid Net First Connection Expenses.
- 4.14 If the third party had paid an ICP for Net First Connection Expenses at the time of the First Connection, then the Electricity Distributor should contact the ICP and request the contact details.
- 4.15 If no contact details are provided by the customer that requested the First Connection or the ICP, the Electricity Distributor should take reasonable steps to locate the relevant contact details. If, having taken reasonable steps to do so, the Electricity Distributor is unable to ascertain the name and address of the other person that made a payment in respect of Net First Connection Expenses, the relevant Electricity Distributor should not be required to make a Reimbursement Payment to the Eligible Person.

## 5 Demanding a Reimbursement Payment

### Chapter Summary

This chapter states how Electricity Distributors should calculate the value of any Reimbursement Payments under the ECCR 2017. This chapter also states how the Electricity Distributor should treat any scenarios where the Reimbursement Payment is below £300 (following the deduction of Administrative Expenses) or the Eligible Person waives the right to a Reimbursement Payment.

### A. Calculating the value of Reimbursement Payments when the Electricity Distributor completes the work

- 5.1 Regulation 7(4) of the ECCR 2017 requires the Electricity Distributor to calculate an appropriate proportion of the Net First Connection Expenses “which appears to the relevant Electricity Distributor to be reasonable having regard to all the circumstances, including in particular the maximum capacity required by the person obtaining the Second Connection”.
- 5.2 When calculating the value of any Reimbursement Payment, the amount demanded by the Electricity Distributor should be equal to the appropriate proportion of the Net First Connection Expenses.
- 5.3 The key circumstances to be taken into account are normally:
  - a) the extent to which electric line and electrical plant provided for the purpose of providing the Net First Connection, are to be used for the purpose of providing the Second Connection, and
  - b) the maximum capacity required by the person obtaining the Second Connection.
- 5.4 This chapter provides clarifications of our understanding of how Electricity Distributors should treat different costs when determining the value of any Reimbursement Payment under the ECCR 2017. This takes into account the provisions and terminology established in the Common Connection Charging Methodology (CCCM), set out in Schedule 22 of the Distribution Connection and Use of System Agreement, as available at the time of publication of this guidance.

### Treatment of Extension Asset Costs

- 5.5 Charges for network Extension Assets are based on the full expenses incurred to provide the shared assets used for both the First Connection and Second Connection. For Extension Assets, the Reimbursement Payment should be calculated taking account of the relative capacity requirements of the parties.

### The Treatment of Reinforcement Work Costs

- 5.6 For the purpose of calculating the value of First Connection Expenses and any Reimbursement Payments, we consider that Reinforcement Work costs should be apportioned by application of the cost apportionment factor<sup>9</sup>. The Reimbursement Payment that is required from the Subsequent Contributor to the Electricity Distributor is therefore dependent on the Required Capacity.
- 5.7 The costs of Reinforcement Work can be apportioned using one of two Cost Apportionment Factors (CAF), dependent upon which factor is driving the requirement for Reinforcement Work: (i) “Security CAF” or (ii) “Fault level CAF”. The ‘Security CAF’ should be applied to calculate First Connection Expenses where the Reinforcement Work costs were driven by

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<sup>9</sup> The CCCM provides more details on the cost apportionment factor.



either thermal capacity or voltage (or both) as assessed against the relevant standard. The 'Fault Level CAF' should be applied where the Reinforcement Work costs were driven by Fault Level restrictions.<sup>10</sup>

### The treatment of costs associated with transmission network works

- 5.8 Charges for transmission network works are based on the charges levied by National Grid Electricity Transmission plc (NGET) on the Electricity Distributor, which are necessary to facilitate the provision of the First Connection. For transmission network works, the Reimbursement Payment should be calculated taking account of the relative capacity requirements of the parties.
- 5.9 Where NGET places a requirement to provide security (and associated liability) in respect of transmission network works this should be explicitly excluded from the ECCR.

### The treatment of costs associated with Enhanced Schemes

- 5.10 If a Second Connection customer uses electric line or electrical plant that was provided for the purposes of connecting the First Connection as part of an Enhanced Scheme, then any Eligible Persons that paid Net First Connection Expenses may be entitled to a Reimbursement Payment under the ECCR 2017.
- 5.11 Some of the electric line or electrical plant installed as part of an Enhanced Scheme may not be provided for the purpose of making a connection between premises and a distribution system (e.g. additional assets not provided for the purpose of making a connection). The value of any Reimbursement Payment is therefore dependent on the extent to which the Eligible Person has incurred First Connection Expenses and the extent to which the Second Connection uses electric line and electrical plant that was provided for the purpose of making the First Connection.

### Interaction with the high-cost cap

- 5.12 The High Cost Cap (HCC) applies to distributed generation projects with particularly high costs or which have requirements significantly in excess of the Electricity Distributors' design standards. In these circumstances, the generator is expected to fund the required additional investment through connection charges. This includes any projects with Reinforcement costs in excess of £200/kW. This requirement is included in the CCCM.
- 5.13 With respect to the 2017 Regulations, the HCC should only be applied to the First Connection customer that triggers any Reinforcement. If a Second Connection uses electric line or electrical plant that was previously reinforced for the purposes of making a First Connection that triggered the HCC, then the following approach should be applied to calculate the Net First Connection Expenses:
- 5.14 The HCC is only relevant to the First Connection customer who accepts and pays the Electricity Distributor the relevant charges.
- 5.15 If a Second Connection is made, then the Net First Connection Expenses associated with the Reinforcement to the Second Connection customer should reflect the appropriate expenses based on the Cost Apportionment Factors (as detailed in the CCCM).
- 5.16 Once the Second Connection is made then the DNO would remit to the First Connection the value received. The total value of the Reimbursement Payments would be capped if the net result meant that the First Connection customer was paying less than if the HCC did not

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<sup>10</sup> Security CAF = Required Capacity/New Network Capacity x 100 per cent. Fault level CAF= 3 x Fault Level Contribution from Connection/New Fault Level Capacity x 100 per cent

apply. Please refer to example 8 which deals with a person who has made a payment under the HCC.

### The treatment of costs associated with “investment ahead of need”

- 5.17 The ECCR 2017 only apply to scenarios where there has been a First Connection. This means that it is not possible for an Electricity Distributor to recover costs for Reinforcement Work that have not been triggered by an initial connection request. (e.g. any work that cannot be defined as an Enhanced Scheme under the CCCM).

### Administrative Expenses

- 5.18 When an Electricity Distributor receives a Reimbursement Payment from a Subsequent Contributor, the Electricity Distributor may deduct its Administrative Expenses from the amount received (e.g., the costs associated with identifying Eligible Persons and calculating the value of any Reimbursement Payments).

### B. Identifying First Connection Expenses when an ICP completes the work

- 5.19 If the First Connection was made by an ICP, the Electricity Distributor will not hold information on the costs of the works carried out by the ICP. The Electricity Distributor should take steps to estimate the value of the Net First Connection Expenses taking into account information obtained from the ICP and the elements of work that were carried out by the Electricity Distributor at the request of the ICP.

### Steps to obtain information from ICPs

- 5.20 To allow the Electricity Distributor to estimate the value of Net First Connection Expenses on shared assets used for both the First Connection and Second Connection, the Electricity Distributors should take such steps as are reasonably practicable to obtain a description of the works carried out for the First Connection, including contacting the ICP.
- 5.21 To enable an Electricity Distributor to make a reasonable estimate of Net First Connection Expenses on shared assets used for both the First Connection and Second Connection, the ICP should provide a detailed description of the works carried out, including:
- a) the size and type of assets installed;
  - b) cable lengths;
  - c) excavation works carried out by the ICP, including surface types;
  - d) excavation works carried out by the customer;
  - e) substation civil works;
  - f) traffic management arrangements; and
  - g) legal/wayleave consents obtained

### The principles used to estimate Net First Connection Expenses

- 5.22 Where detailed information has not been provided, assumptions may need to be made regarding the level of works required, which could include, but are not limited to:
- a) onsite excavation & reinstatement was completed by the customer;
  - b) offsite excavation & reinstatement was completed by the ICP;
  - c) surface types for excavation to be the lowest cost option; and
  - d) substation civil works.

- 5.23 The estimate is to be made using the Electricity Distributor's own Connection Charging Methodology (CCM) that is published and in effect at the time of making the estimate.
- 5.24 The estimate should be made at the time a Second Connection is requested, to enable the value of the potential Reimbursement Payment to be reflected alongside the connection charge.
- 5.25 If further applications are subsequently received to utilise the same shared assets, the Electricity Distributor should re-calculate the cost apportionment.
- 5.26 To reflect time elapsed since the First Connection was made, the following formula is to be applied to the estimated value:

$$E \times \frac{A}{B}$$

*Where:*

*E is the estimated value of the First Connection*

*A is the retail prices index<sup>11</sup> at the time the connection was actually made*

*B is the retail prices index at the time the estimate was completed*

### Unable to identify the value of Net First Connection Expenses

- 5.27 An Electricity Distributor is not required to make a reimbursement payment to an Eligible Person if it takes all reasonable steps to do so and is still unable to:
- estimate the amount of the Net First Connection Expenses borne by the Eligible Person; or
  - make a reasonable estimate of the Net First Connection Expenses borne by the Eligible Person.

### C. Waiving the rights to a Reimbursement Payment

- 5.28 When considering how to calculate the value of any Reimbursement Payment, it is important to note that the ECCR 2017 recognise that in some cases an Eligible Person may wish to waive its rights to a Reimbursement Payment. If an Eligible Person wants to waive its rights to a Reimbursement Payment for a particular project, it should notify the Electricity Distributor of this in writing.

### D. If the value of any Reimbursement Payment is below £300

- 5.29 The Electricity Distributor is not required to demand a Reimbursement Payment if, once the Electricity Distributor has calculated the Reimbursement Payment in accordance with the requirements of the ECCR 2017, the value of the Reimbursement Payment is less than £300 after deducting any Electricity Distributor Administrative Expenses.

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<sup>11</sup> The retail price index can be found using the link below. Change the view from Chart to Table to view a list form of the RPI for any given month and year

<https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/chaw>

## 6 The timescales for requiring Reimbursement Payments to be made

### Chapter Summary

This chapter identifies the timescales for requiring reimbursements from Subsequent Contributors and making Reimbursement Payments to Eligible Persons.

### Timescales for requiring Reimbursement Payments to be made from Subsequent Contributor

- 6.1 The relevant Electricity Distributors must take reasonable steps to ascertain whether there are any persons who will be Eligible Persons, and if so, the name and address of each of those persons. If it appears to the relevant Electricity Distributor that there are such persons, the Electricity Distributor should give to the customer a written demand (e.g. in the connection offer) for a Reimbursement Payment that the customer may be liable for. Any demand for a Reimbursement Payment should stipulate when the Reimbursement Payment is due. A customer is only due to make a Reimbursement Payment once the Second Connection has been made. The Electricity Distributor may ask for security for the payment.
- 6.2 The customer receiving a demand for a Reimbursement Payment is entitled to make a request for specific information to the Electricity Distributor. The relevant information is described further in Chapter 7. The customer is not required to pay the Reimbursement Payment until the Electricity Distributor has provided the information or confirmed that it does not hold the information.

### Timescales for making Reimbursement Payments to Eligible Persons

- 6.3 Once an Electricity Distributor has received a Reimbursement Payment, it should pay the Reimbursement Payment, minus the Electricity Distributor's Administrative Expenses, to the Eligible Persons as soon as reasonably practicable.
- 6.4 If the Reimbursement Payment is not received by the Electricity Distributor, the Electricity Distributor does not make a Reimbursement Payment to the Eligible Person.
- 6.5 In situations where the Eligible Person has informed the Electricity Distributor that it does not wish to receive a Reimbursement Payment, no payment should be made.

## **7 The provision of information to the Subsequent Contributor**

### Chapter Summary

This chapter identifies the information that Electricity Distributors should make available to Subsequent Contributors when requested.

### The provision of information to Subsequent Contributors

- 7.1 Subsequent Contributors may request information from the Electricity Distributor regarding the First Connection.
- 7.2 The Electricity Distributor should provide information to the Subsequent Contributors about:
  - a) the amount of the Net First Connection Expenses, or if an ICP completed the works, the Electricity's Distributor's estimate of the Net First Connection Expenses;
  - b) the date when the First Connection was made; and
  - c) the total amount actually paid in respect of the First Connection by the Initial Contributor or other persons (i.e. Subsequent Contributors).
- 7.3 The Electricity Distributor should, in so far as it holds the information requested by the Subsequent Contributor, provide this information as soon as reasonably practicable after receipt of the request.

## 8 Maintenance of records

### Chapter Summary

This chapter states the information that Electricity Distributors should hold to comply with the ECCR 2017.

- 8.1 The Electricity Distributor should maintain the records necessary for complying with its obligations under the ECCR 2017 with regard to Reimbursement Payments.
- 8.2 We consider that the Electricity Distributor should hold the relevant information for at least ten years from the date of a First Connection being made. Specifically, we consider that the Electricity Distributor should maintain the following records:
  - a) capacity of assets;
  - b) capacity requested;
  - c) total cost of assets installed;
  - d) the date that the First Connection was made;
  - e) information on ICP assets installed;
  - f) funding of assets installed by the Initial Contributor or Subsequent Contributors; and
  - g) contact details for all Eligible Persons.
- 8.3 When maintaining the records, the Electricity Distributor should ensure that it complies with its obligations in terms of data confidentiality as stemming out among others from its licence and from the Data Protection Act 1998.

## Appendix 1: Definitions

The definitions provided below are extracted from the relevant legal acts applicable at the time of publication of this guidance and are inserted here only for the convenience of the reader. For your convenience, the reference of the definition is also provided. Should the relevant legal acts be amended, their definitions should prevail.

### **Administrative Expenses** (ECCR 2017, Regulation 2)

Administrative Expenses means the expenses reasonably incurred by a relevant Electricity Distributor discharging its obligations under the ECCR 2017.

### **Connection Charging Methodology** (Electricity Distribution Standard Licence Condition 13)

The Connection Charging Methodology means the charging methodology used for the purpose of determining the licensee's connection charges.

### **Common Connection Charging Methodology (CCCM)** (DCUSA, Section 1A, point 1.1)

The Common Connection Charging Methodology means the common connection charging methodology set out in Schedule 22 (Common Connection Charging Methodology) of the Distribution Connection and Use of System Agreement (DCUSA). As described in that Schedule, the CCCM only comprises part of the connection charging methodology that each DNO Party is obliged to have in force under its Distribution Licence.

### **Cost Apportionment Factor (CAF)** (DCUSA, Schedule 22, point 1.23)

The Cost Apportionment Factor is the approach that we will use to apportion the costs of Reinforcement Work. There are two Cost Apportionment Factors (CAFs). The CAF that is used is dependent upon which factor is driving the requirement for Reinforcement Work:

- The 'Security CAF'; and
- The 'Fault Level CAF'.

### **Electricity Distributor** (EA 89, section 6, para 9)

An Electricity Distributor means any person who is authorised by a distribution licence to distribute electricity except where he is acting otherwise than for purposes connected with the carrying on of activities authorised by the licence.

### **Eligible Person** (ECCR 2017, Regulation 2 and 5)

An Eligible Person is:

- a) "a person who—
  - i. is an Initial Contributor; and
  - ii. at the Relevant Time owns or occupies the premises, or owns the distribution system (as the case may be), to which the First Connection was made;
- b) a person who—
  - i. has, on a previous occasion when a Second Connection was made, made a payment under the ECCRs in respect of the Net First Connection Expenses; and
  - ii. at the Relevant Time owns or occupies the premises, or owns the distribution system (as the case may be), to which the First Connection was made;
- c) a person who—
  - i. has been assigned a right to receive a Reimbursement Payment; and

- ii. at the Relevant Time owns or occupies the premises, or owns the distribution system (as the case may be), to which the First Connection was made;
- d) an Electricity Distributor which has incurred Net First Connection Expenses which it has not previously fully recovered from any other person; or
- e) a person other than—
  - i. an Initial Contributor;
  - ii. a person who has made a payment under the ECCRs; or
  - iii. an Electricity Distributor,

that has made a payment to an Electricity Distributor or to an Independent Connection Provider in respect of the First Connection Expenses.”

#### **Enhanced Scheme** (DCUSA, CCCM, para 1.4)

An Enhanced Scheme is a connection that includes one or more of the following:

- additional assets not required as part of the Minimum Scheme;
- assets of a larger capacity than required by the Minimum Scheme;
- assets of a different specification than required by the Minimum Scheme.

#### **Extension Assets** (DCUSA, CCCM, section 2 – Glossary of Terms)

Extension Assets are assets installed to connect a party or parties to the existing distribution network but which exclude Reinforcement assets.

#### **Fault Level** (DCUSA, CCCM, section 2 – Glossary of Terms)

Fault Level means the maximum prospective current or power that will flow into a short circuit at a point on the network, usually expressed in MVA or kA.

#### **Fault Level Cost Apportionment Factor (CAF)** (DCUSA, CCCM, point 1.26)

The Fault Level CAF is the Cost Apportionment Factor that is applied, where the costs are driven by Fault Level restrictions. This rule determines the proportion of the Reinforcement costs that should be paid by you as detailed below:

$$\text{Fault Level CAF} = 3 \times \frac{\text{Fault Level Contribution from Connection}}{\text{New Fault Level Capacity}} \times 100\% \quad (\text{max } 100\%)$$

#### **First Connection** (EA 89, Schedule 5B, para 1(2))

A First Connection is any electric line or electrical plant that is provided for the purpose of making a connection between premises and a distribution system, or between two distribution systems.

#### **First Connection Expenses** (EA 89, Schedule 5B, para 1(6))

First Connection Expenses are any expenses reasonably incurred by a person in providing any electric line or electrical plant for the purpose of making the First Connection.

#### **Independent Connection Provider (ICP)** (ECCR 2017, Regulation 2)

An independent connection provider means a person, other than an Electricity Distributor, who provides electric line or electrical plant for the purpose of making a First Connection or a Second Connection.



### **Initial Contributor** (ECCR 2017, Regulation 2)

An Initial Contributor, in relation to a First Connection, means a person who has (a) obtained the First Connection and (b) made a payment to an Electricity Distributor or to an ICP in respect of First Connection Expenses.

### **Minimum Scheme** (DCUSA, CCCM, point 1.1 to 1.7)

The Minimum Scheme is the scheme with the lowest overall capital costs (as estimated by the Electricity Distributor), solely to provide the required capacity.

### **Net First Connection Expenses** (ECCR 2017, Regulation 2)

Net First Connection Expenses, in relation to a Second Connection, means the First Connection Expenses, excluding:

- a) if the second connection is a LV connection, any expenses which were incurred in providing electric line or electrical plant at a nominal voltage of more than 22kV for Reinforcement Works for the purpose of making the First Connection; or
- b) if the second connection is a HV connection, any expenses which were incurred in providing electric line or electrical plant at a nominal voltage of 132kV for Reinforcement Works for the purpose of making the First Connection.

### **Reinforcement Works** (ECCR 2017, Regulation 2)

Reinforcement Works means works that adds capacity to an existing distribution system.

### **Reimbursement Payment** (EA 89, Schedule 5B, para 2(2))

Reimbursement Payment is a payment, of such amount as may be reasonable in all the circumstances, in respect of First Connection expenses.

### **Relevant Time** (ECCR 2017, Regulation 5)

The Relevant Time means "the time at which the Second Connection is made."

### **Required Capacity** (DCUSA, CCCM, para 1.24)

Required Capacity is the Maximum Capacity agreed with the Customer. Where an existing Customer requests an increase in capacity then it is the increase above their Existing Capacity.

### **Second Connection** (EA 89, Schedule 5B, para 1.4)

A Second Connection is any electric line or electrical plant provided for the purpose of making the First Connection and used for the purpose of making another connection, between premises and a distribution system, or between two distribution systems.

### **Security Cost Apportionment Factor (CAF)** (DCUSA, CCCM, point 1.25)

The Security CAF is the Cost Apportionment Factor (CAF) that is applied, where the costs are driven by either thermal capacity or voltage (or both) as assessed against the relevant standard. This rule determines the proportion of the Reinforcement costs that should be paid by the Customer, as detailed below.

$$\text{Security CAF} = \frac{\text{Required Capacity}}{\text{New Network Capacity}} \times 100\%$$

**Subsequent Contributor** (ECCR 2017, Regulation 2)

A Subsequent Contributor, "in relation to a Second Connection means a person who has (a) obtained a Second Connection and (b) received a demand for a Reimbursement Payment under Regulation 7" of the ECCR 2017.

## Appendix 2: Case Studies

1.1. The following case studies are not an exhaustive list of scenarios in which a customer may be required to make a Reimbursement Payment under the ECCR 2017 but aim to explain through a limited set of case studies how the calculations work.

1.2. The following case studies identify Eligible Persons and calculate the value of Reimbursement Payments based on our current understanding of how the ECCR 2017 should be applied. In the event of any inconsistency between the ECCR 2017 and this document, the ECCR 2017 will take precedence. In the event of any dispute, the ECCR 2017 are the definitive point of reference.

1.3. The following network designs are shown for illustrative principles only and do not reflect actual network designs.

1.4. The calculations shown are illustrative. The Electricity Distributor should take into account all the relevant circumstances and case specific calculations may therefore differ. For the avoidance of doubt, VAT has not been shown in these examples but would apply at the appropriate rate.

1.5. In all the following scenarios, where a person is described as an Eligible Person, it is assumed that it meets the requirements of being an owner or occupier at the Relevant Time as described in Chapter 3.

1.6. Electricity Distributors are allowed to recover Administrative Expenses reasonably incurred discharging its obligations under the ECCR 2017. The values identified for Administrative Expenses in these examples are assumed for the purposes of illustration.

### Example 1: An Initial Contributor

#### Scenario

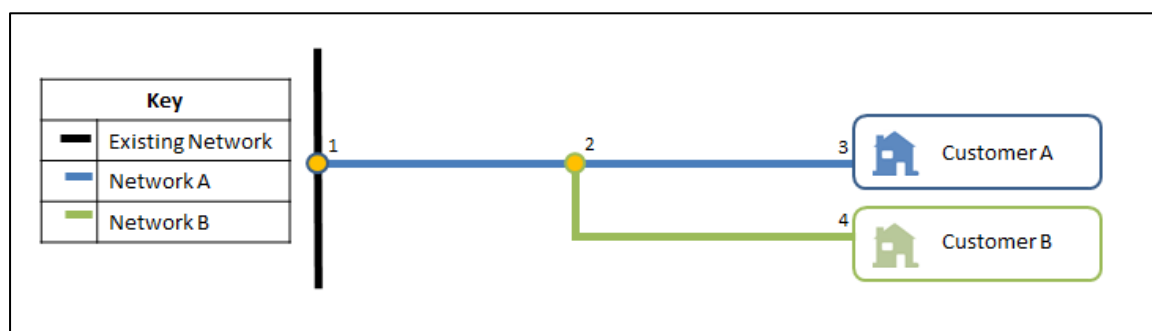
1.7. In this example, Customer A (a domestic house with a load of 20kVA) connects to the network using the existing network. Customer A also wholly funds a new section of network (Network A) that is 20m long. The cost of installing Network A is £5,000.

**Figure 1: A First Connection customer connects to the network**



1.8. Customer B (a domestic house with a load of 20kVA) subsequently connects to the network using the existing network and 10m of Network A. In addition, Customer B wholly funds a new section of network (Network B) that is 12m long. The cost of installing Network B is £2,500.

**Figure 2: A Second Connection customer connects to the network**



### Identification of Eligible Persons

1.9. In this scenario, there is one Eligible Person, the Initial Contributor (Customer A), because Customer B uses Network A, that was provided for and paid for by Customer A.

### Calculate Reimbursement Payment value and connection costs

1.10. The Reimbursement Payment would be calculated by considering both the capacity requirements of the two customers and the amount of network used to connect Customer B.

- a) For the amount of network, only 10m of the 20m of Network A is used to provide the connection to Customer B. The assumed cost of Network A between points 1 and 2 is therefore  $10\text{m}/20\text{m} \times \text{£}5,000 = \text{£}2,500$ .
- b) For the capacity requirements, the capacity would be shared in proportion. The capacity of Customer B would be divided by the combined capacity of the two customers and then multiplied by the cost of Network A between points 1 and 2. In this case the capacity calculation would be  $20\text{kVA}/40\text{kVA} \times \text{£}2,500 = \text{£}1,250$ .

1.11. Customer B should therefore be required to make a Reimbursement Payment of £1,250.

### Connection costs

1.12. A detailed explanation of the costs incurred by Customer B is outlined below.

Description of cost item	Section of network	Cost	Explanation
Reimbursement Payment.	Network A (point 1-2)	£1,250	See calculation identified in paragraph 1.10.
Wholly funded works	Network B (point 2-4)	£2,500	Network B is solely used by Customer B. The costs incurred are therefore funded in full by Customer B.
<b>Total</b>		<b>£3,750</b>	

## Reimbursement Payment value

1.13. An explanation of the Reimbursement Payment received by Customer A is outlined below:

<b>Description of cost item</b>	<b>Value</b>	<b>Explanation</b>
Reimbursement Payment	£1,250	See calculation identified in paragraph 1.10.
Electricity Distributor Administrative Expenses	-£100	£100 assumed for the illustration.
<b>Total</b>	<b>£1,150</b>	

1.14. In summary, in this scenario Customer B's connection charge would be £3,750. Of the £3,750, Customer A would receive a Reimbursement Payment of £1,150.

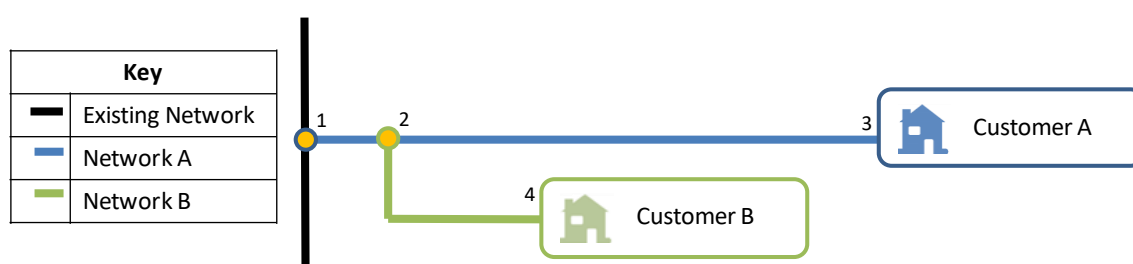
## Example 2: An Initial Contributor but no Reimbursement Payment made

### Scenario

1.15. In this example, Customer A (a domestic house with a load of 20kVA) connects to the network using the existing network. Customer A also wholly funds a new section of network (Network A) that is 20m long. The cost of installing Network A is £5,000.

1.16. Customer B (a domestic house with a load of 20kVA) subsequently connects to the network using the existing network and 2m of Network A. In addition, Customer B wholly funds a new section of network (Network B) that is 12m long. The cost of installing Network B is £2,500.

**Figure 3: A second connection customer connects to the network, but only uses a small proportion Network A**



### Identification of Eligible Persons

1.17. In this scenario there is one Eligible Person, the Initial Contributor (Customer A), because Customer B uses Network A, that was provided for and paid for by Customer A.

### Calculate Reimbursement Payment value and connection costs

1.18. The Reimbursement Payment would be calculated by considering both the capacity requirements of the two customers and the amount of network used to connect Customer B.

- a) For the amount of network, only 2m of the 20m of Network A is used to provide the connection to Customer B. The assumed cost of Network A between points 1 and 2 is therefore  $2\text{m}/20\text{m} \times £5,000 = £500$ .
- b) For the capacity requirements, the capacity would be shared in proportion. The capacity of Customer B would be divided by the combined capacity of the two customers and then multiplied by the cost of Network A between points 1 and 2. In this case, the capacity calculation would be  $20\text{kVA}/40\text{kVA} \times £500 = £250$ .

1.19. Since the Reimbursement Payment to Customer A, after deducting any Electricity Distributor Administrative Expenses, is less than the £300 threshold (£250), no charge would be made to Customer B and no Reimbursement Payment would be made to Customer A.

## Connection Costs

1.20. A detailed explanation of the costs incurred by Customer B is outlined below.

<b>Description of cost item</b>	<b>Section of network</b>	<b>Cost</b>	<b>Explanation</b>
Reimbursement Payment to Customer A.	Network A (point 1-2)	£0	See calculation identified in paragraphs 1.18.
Wholly funded works	Network B (point 2-4)	£2,500	Network B is solely used by Customer B. The costs incurred are therefore funded in full by Customer B.
<b>Total</b>		<b>£2,500</b>	

1.21. In summary, in this scenario Customer B's connection charge would be £2,500. Whilst Customer A is an Eligible Person, in this scenario Customer B should not be required to make a Reimbursement Payment to Customer A because the value of the Reimbursement Payment is less than £300.

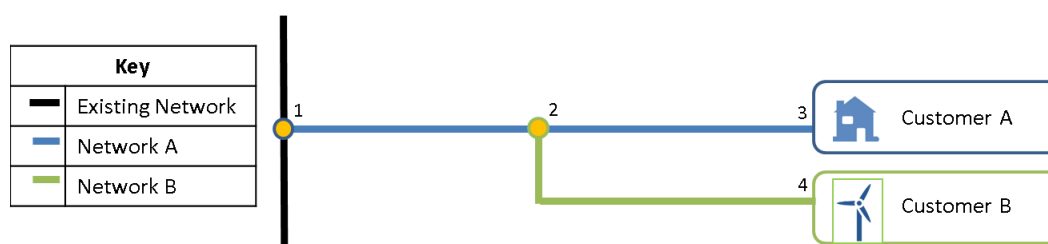
### Example 3: Subsequent Contributor is a Generator

#### Scenario

1.22. In this example, Customer A (a domestic house with a load of 20kVA) connects to the network using the existing network. Customer A also wholly funds a new section of network (Network A) that is 20m long. The cost of installing Network A is £5,000.

1.23. Customer B (a generator with an export capacity of 50kVA, import capacity of 5kVA) subsequently connects to the network using the existing network and 10m of Network A. In addition, Customer B wholly funds a new section of network (Network B) that is 12m long. The cost of installing Network B is £2,500.

**Figure 4: A Second Connection customer (a generator) connects to the network**



#### Identification of Eligible Persons

1.24. In this scenario, there is one Eligible Person, the Initial Contributor (Customer A) because Customer B uses Network A, that was provided for and paid for by Customer A.

#### Calculate Reimbursement Payment value and connection costs

1.25. The Reimbursement Payment would be calculated by considering both the capacity requirements of the two customers and the amount of network used to connect Customer B.

- a) For the amount of network, only 10m of the 20m of Network A is used to provide the connection to Customer B. The assumed cost of Network A between points 1 and 2 is therefore  $10\text{m}/20\text{m} \times £5,000 = £2,500$ .
- b) For the capacity requirements, the capacity would be shared in proportion. Since Customer B's export capacity requirement is larger than its import capacity requirement, its export capacity is used to calculate the value of the Reimbursement Payment. The generation capacity of Customer B would be divided by the combined capacity of the two customers, and then multiplied by the cost of Network A between points 1 and 2. In this case the capacity calculation would be  $50\text{kVA}/70\text{kVA} \times £2,500 = £1,786$ .

1.26. Customer B should therefore be required to make a Reimbursement Payment of £1,786.



### Connection costs

1.27. A detailed explanation of the costs incurred by Customer B is outlined below.

Description of cost item	Section of network	Cost	Explanation
Reimbursement Payment.	Network A (point 1-2)	£1,786	See calculation identified in paragraph 1.25.
Wholly funded works	Network B (point 2-4)	£2,500	Network B is solely used by Customer B. The costs incurred are therefore funded in full by Customer B.
<b>Total</b>		<b>£4,286</b>	

### Reimbursement Payment value

1.28. An explanation of the Reimbursement Payment received by Customer A is outlined below:

Description of cost item	Value	Explanation
Reimbursement Payment	£1,786	See calculation identified in paragraph 1.25.
Electricity Distributor Administrative Expenses	-£100	£100 assumed for the illustration.
<b>Total</b>	<b>£1,686</b>	

1.29. In summary, in this scenario Customer B's connection charge would be £4,286. Of the £4,286, Customer A would receive a Reimbursement Payment of £1,686.

## Example 4: A person who has made a Reimbursement Payment under these Regulations

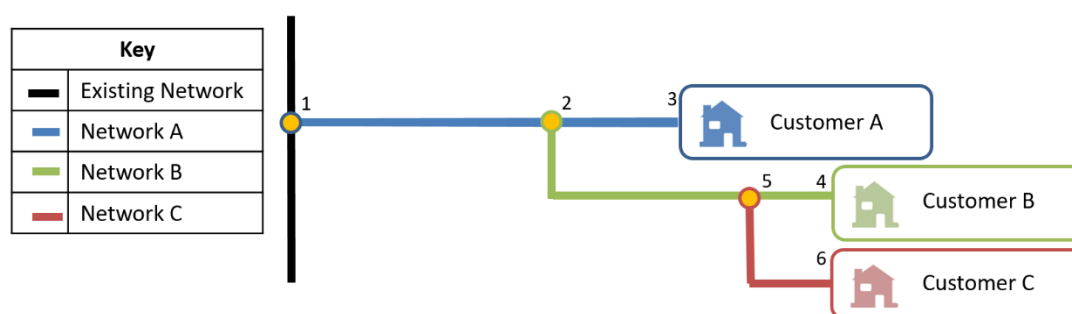
### Scenario

1.30. In this example, Customer A (a domestic house with a load of 20kVA) connects to the network using the existing network. Customer A also wholly funds a new section of network (Network A) that is 20m long. The cost of installing Network A is £5,000.

1.31. Customer B (a domestic house with a load of 20kVA) has also connected to the network, using the existing network and 10m of Network A. Customer A and Customer B have each paid £1,250 towards the cost of installing Network A from Point 1 to 2. In addition, Customer B has wholly funded a new section of network (Network B) that is 12m long at a cost of £2,500.

1.32. Customer C (a domestic house with a load of 20kVA) subsequently connects to the network using the existing network, 10m of Network A and 8m of Network B. In addition, Customer C wholly funds a new section of Network that is 8m long (Network C). The cost of installing Network C is £400.

**Figure 5: A third customer connects to the network**



### Identification of Eligible Persons

1.33. In this scenario there are two Eligible Persons in relation to Network A:

- a) the Initial Contributors:
  - i. Customer A - because Customer C uses Network A that was provided for and paid by Customer A.
  - ii. Customer B – because Customer C uses Network B that was provided and paid for by Customer B.
- b) the person that has made a Reimbursement Payment under these Regulations (Customer B) because Customer C uses Network A for which Customer B previously made a contribution.

### Calculate Reimbursement Payment value and connection costs

1.34. The Reimbursement Payments from Customer C to Customer A would be calculated by considering both the capacity requirements of the three customers and the amount of Network A used to connect Customer C.

- a) For the amount of network, only 10m of the 20m of Network A is used to provide the connection to Customer C. The assumed cost of Network A between points 1 and 2 is therefore  $10\text{m}/20\text{m} \times \text{£}5,000 = \text{£}2,500$ .
- b) For the capacity requirements, the capacity would be shared in proportion. The capacity of Customer C would be divided by the combined capacity of the three customers and then multiplied by the cost of Network A between points 1 and 2. In this case the capacity calculation would be  $20\text{kVA}/60\text{kVA} \times \text{£}2,500 = \text{£}833$ .

1.35. As Customer A and Customer B have each paid £1,250 towards the cost of installing Network A from Point 1 to 2, Customer C should be required to make a Reimbursement Payment of £417 (£1,250 - £833), less Administrative Expenses, to Customer A and Customer B.

1.36. The Reimbursement Payment from Customer C to Customer B would be calculated by considering both the capacity requirements of the two customers and the amount of Network B used to connect Customer C.

- a) For the amount of network, only 8m of the 12m of Network B is used to provide the connection to Customer C. The assumed cost of Network A between points 2 and 5 is therefore  $8\text{m}/12\text{m} \times \text{£}2,500 = \text{£}1,667$ .
- b) For the capacity requirements, the capacity would be shared in proportion. The capacity of Customer C would be divided by the combined capacity of the two customers and then multiplied by the cost of cost of Network B from Point 2 to 5. In this case the capacity calculation would be  $20\text{kVA}/40\text{kVA} \times \text{£}1,667 = \text{£}834$ .

1.37. Customer C should therefore be required to make a Reimbursement Payment of £834, less Administrative Expenses, towards the costs of installing Network B.

#### Connection Costs

1.38. A detailed explanation of the costs incurred by Customer C is outlined below.

Description of cost item	Section of network	Cost	Explanation
Reimbursement Payment to Customer A.	Network A (point 1-2)	£417	See calculation identified in paragraph 1.34 and 1.35.
Reimbursement Payment to Customer B	Network A (Point 1-2)	£417	See calculation identified in paragraph 1.34 and 1.35.
Reimbursement Payment to Customer B	Network B (Point 2-5)	£834	See calculation identified in paragraph 1.36.
Wholly funded works	Network C (Point 5-6)	£400	Network C is solely used by Customer C. The costs incurred are therefore funded in full by Customer C.
<b>Total</b>		<b>£2,068</b>	

## Reimbursement Payment value

1.39. An explanation of the Reimbursement Payment received by Customer A is outlined below:

Description of cost item	Cost	Explanation
Reimbursement Payment to Customer A for Network A (point 1-2)	£417	See calculation identified in paragraph 1.34 and 1.35.
Electricity Distributor Administrative Expenses	-£100	£100 assumed for the illustration.
<b>Total</b>	<b>£317</b>	

1.40. An explanation of the Reimbursement Payment received by Customer B is outlined below:

Description of cost item	Cost	Explanation
Reimbursement Payment to Customer B for Network A (point 1-2)	£417	See calculation identified in paragraph 1.34 and 1.35.
Reimbursement Payment to Customer B for Network B (point 2-5)	£834	See calculation identified in paragraph 1.36.
Electricity Distributor Administrative Expenses	-£100	£100 used for illustration.
<b>Total</b>	<b>£1,151</b>	

1.41. In this scenario, Customer C would pay a connection charge of £2,068. Of the £2,068, Customer A would receive a Reimbursement Payment of £317 and Customer B would receive a Reimbursement Payment of £1,151.

## Example 5: Reimbursement Payment to the Electricity Distributor - Security Cost Apportionment Factor (CAF)

1.42. In this example, Customer A (a commercial premises) increased its maximum capacity requirement of its existing connection from 200kVA to 850kVA; an increase of 650kVA (the Required Capacity).

1.43. The existing network was unable to deliver the Required Capacity, so Reinforcement Work was required. The total cost of the Reinforcement Work was £124,800. Following the Reinforcement Work, the new network capacity was 8000kVA.

1.44. The Reinforcement Work was cost apportioned between Customer A and the Electricity Distributor using the Security CAF. Customer A therefore paid £10,140 towards the cost of the Reinforcement Work (650kVA/8000kVA x £124,800). The Electricity Distributor paid the remaining £114,660.

$$\begin{aligned} \text{Security CAF} &= \frac{\text{Required Capacity}}{\text{New Network Capacity}} \times 100\% \\ &= 650/8,000 \times 100\% = 8.125\% \end{aligned}$$

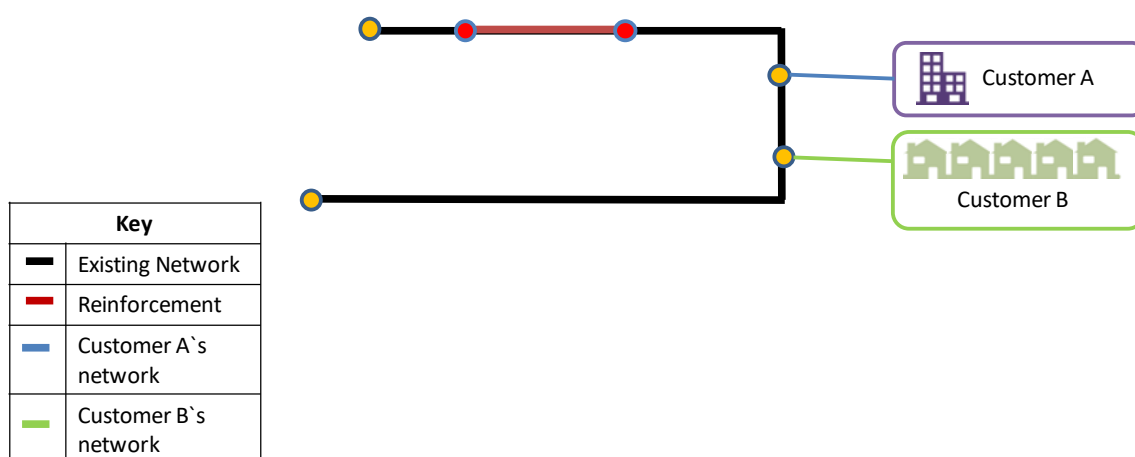
Reapportionment charge = Security CAF x Reinforcement Work cost

$$= 8.125\% \text{ of } £124,800$$

$$= £10,140$$

1.45. Customer B (a new housing development with a load of 1000kVA) subsequently connects to the network, using the network that was reinforced. In addition, Customer B wholly funds a new section of network (Network B). The cost of installing Network B is £25,000.

**Figure 6: Reimbursement Payment to the Electricity Distributor – Security CAF**



### Identification of Eligible Persons

1.46. In this scenario, there is one Eligible Person – the Electricity Distributor because Customer B connects using electric line and plant that was reinforced for the purpose of connecting the First Connection customer. In this scenario, the Electricity Distributor incurred First Connection Expenses reinforcing the network that it did not recover from the First Connection customer.

## Calculate Reimbursement Payment value and connection costs

1.47. In this scenario, the Reinforcement Work costs were £124,800 for a capacity of 8000 kVA. In this scenario, Customer B requested 1000kVA for the connection of the housing development. Customer B would be required to pay for the proportion of the capacity that it uses, the calculation should therefore be  $1000\text{kVA}/8000\text{kVA} \times £124,800 = £15,600$ .

1.48. Customer B should therefore be required to make a Reimbursement Payment of £15,600 towards the costs of the Reinforcement Works.

### Connection costs

1.49. A detailed explanation of the costs incurred by Customer B is outlined below.

Description of cost item	Section of network	Cost	Explanation
Reimbursement Payment to the Electricity Distributor	Reinforcement Work	£15,600	See calculation identified in paragraphs 1.47 to 1.48.
Wholly funded works	Network	£25,000	The new Network is solely used by Customer B. The costs incurred are therefore funded in full by Customer B.
<b>Total</b>		<b>£40,600</b>	

### Reimbursement Payment value

1.50. An explanation of the Reimbursement Payment received by the Electricity Distributor is outlined below:

Description of cost item	Value	Explanation
Reimbursement Payment to the Electricity Distributor	£15,600	See calculation identified in paragraphs 1.47 to 1.48.
<b>Total</b>	<b>£15,600</b>	

1.51. In summary, in this scenario, Customer B's connection charges would be £40,600. Of which £15,600 would be reimbursed to the Electricity Distributor for the previous Reinforcement Work.

## Example 6: Reimbursement Payment to the Electricity Distributor – Fault Level Cost Apportionment Factor (CAF)

1.52. In this example, Customer A (a generator with an export capacity of 3MVA) connects to the existing network. For the purposes of this example, the Fault Level contribution from Customer A is assumed to be 24MVA.

1.53. The existing network was unable to deliver the Required Capacity and Fault Level Contribution, so Reinforcement Work was required. The total cost of the Reinforcement Work was £450,000. Following the Reinforcement Work, the new Fault Level capacity was 315MVA.

1.54. The Reinforcement Work was cost apportioned between the Customer A and the Electricity Distributor using the Fault Level Cost Apportionment factor (CAF) from the CCCM. Customer A therefore paid £102,857 towards the cost of the Reinforcement Work. The Electricity Distributor paid the remaining £347,143. The calculation is identified below:

$$\text{Fault Level CAF} = \frac{3 \times \text{Fault Level Contribution from Connection}}{\text{New Fault Level Capacity}} \times 100\%$$

$$= 3 \times (24\text{MVA}/315\text{MVA}) \times 100\% = 22.857\%$$

$$\text{Reapportionment charge} = \text{Fault CAF} \times \text{Reinforcement Work cost}$$

$$= 22.857\% \text{ of } £450,000$$

$$= £102,857$$

1.55. Customer B (a generator with a Fault Level contribution of 12MVA) subsequently connects to the network, using the network that was reinforced. In addition, Customer B wholly funds a new section of network (Network B). The cost of installing Network B is £250,000.

**Figure 6: Reimbursement Payment to the Electricity Distributor – Fault Level CAF**



### Identification of Eligible Persons

1.56. In this scenario, there is one Eligible Person – the Electricity Distributor because Customer B connects using electric line and plant that was reinforced for the purpose of connecting the First

Connection customer. In this scenario, the Electricity Distributor incurred First Connection Expenses reinforcing the network that it did not recover from the First Connection customer.

### Calculate Reimbursement Payment value and connection costs

1.57. In this scenario, the Reinforcement Work costs were £450,000 for a new Fault Level capacity of 315MVA. In this example the Fault Level contribution from, Customer B is assumed to be 12MVA.

1.58. Customer B would be required to pay for the proportion of the new Fault Level capacity that it uses, the Reimbursement Payment will be £51,300. The calculation is identified below:

$$\text{Fault Level CAF} = 3 \times \frac{\text{Fault Level Contribution from Connection}}{\text{New Fault Level Capacity}} \times 100\%$$

$$= 3 \times (12\text{MVA}/315\text{MVA}) \times 100\% = 11.429\%$$

Reapportionment charge = Fault CAF x Reinforcement Work cost

$$= 11.429\% \text{ of } £450,000$$

$$= £51,428.57$$

1.59. Customer B should therefore make a Reimbursement Payment of £51,428.579 towards the costs of the Reinforcement Works.

### Connection costs

1.60. A detailed explanation of the costs incurred by Customer E is outlined below.

Description of cost item	Section of network	Cost	Explanation
Reimbursement Payment to the Electricity Distributor	Reinforcement Work	£51,428.57	See calculation identified in paragraphs 1.58 to 1.59.
Wholly funded works	Network	£250,000	The Network is solely used by Customer B. The costs incurred are therefore funded in full by Customer B.
<b>Total</b>		<b>£301,428.57</b>	



### Reimbursement Payment value

1.61. An explanation of the Reimbursement Payment received by the Electricity Distributor is outlined below:

<b>Description of cost item</b>	<b>Value</b>	<b>Explanation</b>
Reimbursement Payment to the Electricity Distributor	£51,428.57	See calculation identified in paragraphs 1.58 to 1.59.
<b>Total</b>	<b>£51,428.57</b>	

1.62. In summary, in this scenario Customer B would pay a connection charge of £301,428.57 of which £51,428.57 would be retained by the Electricity Distributor for the previous Reinforcement Work.

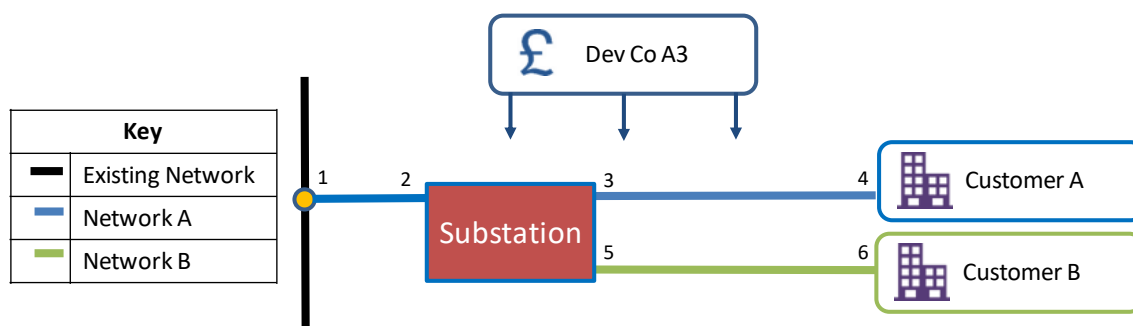
## Example 7: A Development Corporation that has made a payment in respect of First Connection Expenses

### Scenario

1.63. In this example, Customer A (an office block with a load of 4000kVA) connects to the network using the existing network. In anticipation of further development within the area, a third party investment company (Development Corporation A3) is fully funding a new section of network (Network A) and a new 10,000kVA substation, built for the purpose of connecting Customer A and providing for future connection requirements. The cost of installing Network A and the new substation is £1,000,000.

1.64. Customer B (an office block with a load of 2500kVA) subsequently connects to the network using the existing network and part of Network A. In addition, Customer B wholly funds a new section of network (Network B) that is 650m long between points 5 and 6, assumed to be £5,000.

Figure 7: A Second Connection customer connects to a network that was paid for by a Development Corporation A3 (Network A).



### Identification of Eligible Persons

1.65. In this scenario, although Development Corporation A3 has not obtained the connection it is considered as an Eligible Person, as it has made a payment in respect of Net First Connection Expenses and the connection for Customer B uses part of Network A that was paid for by Development Corporation A3 (see paragraph 3.15).

### Calculate Reimbursement Payment value and connection costs

1.66. The Reimbursement Payment would be calculated by considering the capacity requirement of Customer B and the amount of network used to connect Customer B.

- For the amount of network, only Network A between points 1 and 2, and the substation, is used to provide the connection to Customer B. The assumed cost of Network A between points 1 and 2, and the substation, is £800,000.
- For the capacity requirements, the capacity would be shared in proportion. As there are likely to be further connections, each subsequent Customer should pay by proportion of capacity used. Customer B should therefore pay by proportion  $2,500\text{kVA}/10,000\text{kVA}$  (i.e. 25 per cent of the £800,000 cost = £200,000).

1.67. Customer B is required to make a Reimbursement Payment of £200,000.

### Connection costs

1.68. A detailed explanation of the costs incurred by Customer B are outlined below.

Description of cost item	Section of network	Cost	Explanation
Reimbursement Payment from Customer B	Network A (Point 1-2 + substation)	£200,000	See paragraph 1.67
Wholly funded works	Network B (Point 5-6)	£50,000	Network B is solely used by Customer B. The costs incurred are therefore funded in full by Customer B.
<b>Total</b>		<b>£250,000</b>	

### Reimbursement Payment value

1.69. An explanation of the Reimbursement Payment received by Person A3 is outlined below:

Description of cost item	Cost	Explanation
Reimbursement Payment from Customer B to Dev Co A3 for Network A (point 1-2, and substation)	£200,000	The cost of installing Network from Point 1 to 2, and the substation, was £800,000 that was paid for by Dev Co A3. As there will be further connections, each subsequent Customer should pay by proportion of capacity used.  Customer B should therefore pay by proportion 2,500kVA/10,000kVA i.e. 25 per cent of the £800,000 cost = £200,000 for the use of Network A.
Electricity Distributor Administrative Expenses	-£100	Electricity Distributors are allowed to recover expenses reasonably incurred discharging its obligations under the ECCR.
<b>Total</b>	<b>£199,900</b>	

## Example 8: A person who has made a payment under the HCC

### Scenario

1.70. In this example, Customer A (a wind farm of 100kW capacity) connects to the network using the existing network. Customer A also fully funds a new section of network (Network A) that costs £10,000.

1.71. The existing network was unable to deliver the Required Capacity, so Reinforcement Work was required. The total cost of the Reinforcement Work was £150,000. Following the Reinforcement Work, the new capacity was 2000kVA.

1.72. The High Cost Cap is set at £200 per kW. For Customer A requiring 100kW capacity connection, the HCC threshold would thus be set at £20,000, (£200 x 100kW).

1.73. The Reinforcement Work was cost apportioned between the Customer A and the Electricity Distributor. The Cost Apportionment Factor for Customer A would be calculated as:

$$\begin{aligned} \text{Security CAF} &= \frac{\text{Required Capacity}}{\text{New Network Capacity}} \times 100\% \\ &= 100/2,000 \times 100\% = 5\% \end{aligned}$$

1.74. For the Reinforcement Work costs under the HCC, Customer A would pay a proportion based on the CAF, i.e. 5% of £20,000 = £1,000. The Electricity Distributor would fund the remaining £19,000 under the HCC threshold.

1.75. For the Reinforcement Work costs over the HCC, Customer A would pay in full the remaining Reinforcement Work costs, (i.e. £150,000 - £20,000 = £130,000).

1.76. Customer B (a generator with a maximum export capacity of 500kW) subsequently connects using the existing network that was reinforced as a result of Customer A. In addition, Customer B wholly funds a new section of network (Network B). The cost of installing Network B is £5,000.

**Figure 8: A Second Connection customer connects to a network that was paid to be reinforced under the HCC arrangements**



## Identification of Eligible Persons

1.77. In this scenario, there are two Eligible Persons – the Initial Contributor (Customer A) and the Electricity Distributor.

1.78. Since Customer B uses the Reinforced Network, which was paid for by Customer A and the Electricity Distributor, Customer B is required to make a Reimbursement payment for to these Eligible Persons.

## Calculate Reimbursement Payment value and connection costs

1.79. The charge for the Reinforced Network would be based on applying the Cost Apportionment Factor:

$$\text{Security CAF} = \frac{\text{Required Capacity}}{\text{New Network Capacity}} \times 100\%$$

$$= 500/2,000 \times 100\% = 25\%$$

$$\text{Reapportionment charge} = \text{Security CAF} \times \text{Reinforcement cost}$$

$$= 25\% \text{ of } \pounds 150,000$$

$$= \pounds 37,500$$

1.80. In this scenario Customer B would be required to make a Reimbursement Payment of £37,500.

## Connection costs

1.81. A detailed explanation of the costs incurred by Customer B is outlined below.

Description of cost item	Section of network	Cost	Explanation
Reinforcement Work Reimbursement Payment	Reinforced Network	£37,500	CAF = 500/2,000 = 0.25 Reinforcement Work Reimbursement Payment = 0.25 x £150,000 = £37,500
Wholly funded works	Network B	£5,000	Network B is solely used by Customer B. The costs incurred are therefore funded in full by Customer B.
<b>Total</b>		<b>£42,500</b>	

### Reimbursement Payment value

1.82. An explanation of the Reimbursement Payment received by Customer A is outlined below:

<b>Description of cost item</b>	<b>Value</b>	<b>Explanation</b>
Reimbursement Payment	£37,500	The charge for the use of the Reinforced Network paid for by Customer B
Electricity Distributor Administrative Expenses	-£100	£100 assumed for the illustration.
<b>Total</b>	<b>£37,400</b>	

1.83. In summary, in this scenario Customer B's connection charge would be £42,500. Of this, Customer A would receive a Reimbursement Payment of £37,400.

1.84. If there were subsequent connections, Customer A would receive further Reimbursement Payments up to the point where their charge without the High Cost Cap was reached. The DNO would receive any Reimbursement Payments beyond this to offset the Reinforcement it has funded.

## Example 9: Recovery of costs associated with transmission works

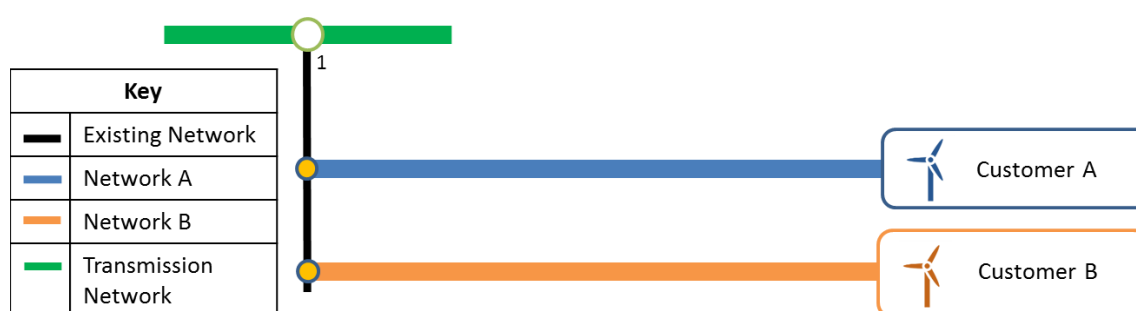
### Scenario

1.85. In this example, Customer A (a generator with a maximum export capacity of 20MW) connects to the network using the existing network and the transmission network. Customer A also fully funds a new section of network (Network A) that costs £10,000.

1.86. The existing transmission network was unable to deliver the Required Capacity, so transmission reinforcement work was required. The total cost of the transmission reinforcement work was £2,100,000. For the purpose of this example only, we assume that this was wholly funded by Customer A.

1.87. Customer B (a generator with a maximum export capacity of 40MW) subsequently connects to the network, using capacity to the existing distribution network and the reinforced transmission network, as a result of Customer A. In addition, Customer B wholly funds a new section of network (Network B). The cost of installing Network B is £200,000.

**Figure 9: Reimbursement to Initial Contributor - transmission network reinforcement work**



### Identification of Eligible Persons

1.88. In this scenario there is one Eligible Person, the Initial Contributor (Customer A), because Customer B uses the reinforced Transmission work, that was provided for and paid for by Customer A.

### Calculate Reimbursement Payment value and connection costs

1.89. The charge for the Transmission Network reinforcement work would be calculated on an apportionment of costs based on the respective capacity requirements of Customers A and B.

$$\begin{aligned} \text{Cost Apportionment} &= \frac{\text{Capacity of Customer B}}{\text{Capacity of Customer A} + \text{Capacity of Customer B}} \times 100\% \\ &= 40/60 \times 100\% = 66.7\% \end{aligned}$$

$$\text{Reapportionment charge} = \text{Cost Apportionment} \times \text{Reinforcement Work cost}$$

$$\begin{aligned} &= 66.7\% \text{ of } £2,100,000 \\ &= £1,400,000 \end{aligned}$$

1.90. In this scenario, Customer B's connection charge would be £1,600,000 (£1,400,000 for the Transmission Network reinforcement and £200,000 for the network Extension Assets).

#### Connection costs

1.91. A detailed explanation of the costs incurred by Customer B is outlined below.

Description of cost item	Section of network	Cost	Explanation
Reinforcement Work Reimbursement Payment	Transmission Network (point 1)	£1,400,000	Cost Apportionment = $40/60 = 0.667$ Reinforcement Work Reimbursement Payment = $0.667 \times £2,100,000 = £1,400,000$
Wholly funded works	Network B	£200,000	Network B is solely used by Customer B. The costs incurred are therefore funded in full by Customer B.
<b>Total</b>		<b>£1,600,000</b>	

#### Reimbursement Payment value

1.92. An explanation of the Reimbursement Payment received by Customer A is outlined below:

Description of cost item	Value	Explanation
Reimbursement Payment	£1,400,000	The charge for the use of the Transmission Network reinforcement work paid for by Customer B
Electricity Distributor Administrative Expenses	-£1,000	£1,000 assumed for the illustration.
<b>Total</b>	<b>£1,399,000</b>	