Annex 5 - Summary of NGC's proposed GB electricity transmission charging methodologies

- 3.3. NGC proposes to adopt "shallow" connection charging proposals whereby connection assets will be defined as being those assets which are for the sole use of each connected party. The definition excludes all assets which are shared or could be shared by more than one user. The connection charge would be calculated as the cost of providing and operating those assets and would include a reasonable rate of return on capital employed. **3.4. To ensure that the underlying intent of a "shallow" connection charging policy is applied consistently across GB, and recognising the more radial nature of the Scottish network, NGC proposes to introduce an additional rule to limit the maximum length of generator connection circuits to two kilometres**. This proposed approach, which would apply GB wide but which the Authority understands would be more likely to affect generators in Scotland as a consequence of the more radial nature of the Scottish transmission network, is similar to NGC's treatment of demand connections under the existing approved methodology in England and Wales where, in the absence of such a rule, the definition of connection assets could include relatively long circuits.

- (3.12. Two respondents argued that the application of the 2km rule is arbitrary. One of those respondents argued that connections should be considered on **a case by case basis until a more appropriate approach is found**. In response to NGC's comment that a 2km rule has existed for demand spurs in England and Wales since 1997/98, the same respondent noted that the basis **of this proposal predates changes to NGC's connection charging methodology in England and Wales introduced in April 2004 and should be reviewed**.)

- 3.16. In relation to the view that the proposed 2km rule would be arbitrary, **NGC highlighted that such a rule has existed for demand spurs in England and Wales since 1997 and has been clearly stated in subsequent charging statements**. Further NGC did not consider that connections should be considered on a case by case basis. NGC argued that this approach would be inconsistent with the aim of developing transparent charging arrangements based on unambiguous charging rules. NGC also noted that an established rule was necessary in this case to differentiate between local and remote substations for the purposes of determining a shallow connection policy across GB.

- 3.22. **The Authority notes the comments relating to the application of the '2km rule', and the potential for an alternative rule to be more cost-reflective.** The Authority, however, considers that NGC's proposed treatment is a reasonable and pragmatic approach consistent with the underlying intent of a shallow connection charging policy, given the more radial nature of some generation connections in Scotland.

The full Proposal can be found via the following link:
https://www.ofgem.gov.uk/ofgem-publications/54843/9096-27504.pdf