



Report for Leader Decision

Decision Date:	1 July 2022
Reference number:	L07.22
Title:	Aylesbury New Primary Grid Connection – An Approach to Capacity Allocation
Cabinet Member(s):	Councillor Martin Tett [Leader]
Contact officer:	David Johnson Climate Response Team leader
Ward(s) affected:	Aylesbury South East; Stone & Waddesdon; Wendover, Halton & Stoke Mandeville; Aston Clinton &碧顿

There are confidential appendices to this report, which are exempt by virtue of paragraph 3 of Schedule 12A of Part 1 of Schedule 12a of the Local Government Act 1972 because they contain information relating to the financial or business affairs of any particular person (including the authority holding that information).

Recommendations:

To note that the Council have a connection agreement for ~31MVA of new electricity supply capacity for SW Aylesbury, reserved (ring-fenced) for 10 years following energisation

To note that the capacity has been reserved primarily for domestic use such as housing and non-domestic use in line with the provisions of the Vale of Aylesbury Local Plan allocations

To delegate authority to the Service Director for Planning & Environment to negotiate and agree a methodology with UKPN for processing connection requests for the reserved capacity

To agree that the council will require any party wishing to utilise the reserved capacity to sign a Capacity Sharing Agreement with Buckinghamshire Council

To delegate authority to the Service Director for Planning & Environment to negotiate and agree such Capacity Sharing Agreements, noting the principles outlined in this paper

Reason for decision:

To allow the council to agree a suitable methodology with UKPN for processing connection requests. To allow the council to progress discussions with developers and other interested parties seeking to utilise the reserved import capacity being brought forward by the Housing Infrastructure Fund. To require any such parties to enter a suitable capacity sharing agreement with the council before as a condition of accessing the reserved capacity.

Acronym	Meaning
CSA	Capacity Sharing Agreement
HIF	Housing Infrastructure Fund
MVA	Megavolt amperes, refers to the Apparent Power in an electrical circuit
UKPN	UK Power Networks
VALP	Vale of Aylesbury Local Plan

1. Executive summary

- 1.1 The council are forward funding a new 31MVA grid connection for southwest Aylesbury, with the infrastructure being designed and delivered by UK Power Networks. The new capacity will be reserved, or ring-fenced, by the council for 10 years following energisation. The council will develop a methodology with UKPN to process connection requests to the new capacity. The council will require developers to enter into a Capacity Sharing Agreement with the council as a prerequisite to access the new capacity, which will require them to submit to robustly evidence their connection requests and demonstrate the sustainability of the energy use in new developments utilising the new capacity. Other options were considered and discounted.

2. Content of report

2.1 Background

- 2.1-i) In October 2021 UK Power Networks (“UKPN”) and Buckinghamshire Council (“the council”) signed a grid connection agreement for electricity infrastructure to deliver

31MVA of import (demand) and 3.4MVA (export) capacity for Southwest Aylesbury. This includes a new primary substation in southwest Aylesbury and the associated reinforcement and extension works¹.

2.1-ii) The agreement includes the reservation (ring – fencing) of the 31MVA import capacity for 10 years following energisation of the new connection, anticipated to start in late 2024. It should be noted that this reservation period can be extended, subject to agreement with UKPN.

2.1-iii) The new infrastructure will be funded through a capital grant from Homes England as part of the Housing Infrastructure Fund (“HIF”) awarded to Buckinghamshire Council for the development of Aylesbury Garden Town.

2.1-iv) This funding included ~£18.2m to address constraints in the electricity supply to south west Aylesbury. This was on the basis that the funding structure for network reinforcements, when an area becomes highly constrained, are an impediment to growth – requiring a single developer to pay for significant upgrades upfront. Whilst, over time, such a developer should recover funds for additional capacity they do not use via payments from subsequent connecting developers. This may take many years and the recovery time frame is limited to 10 years, presenting a risk that the developer may not recover all funds¹. As explained in the following, the recovery timeframe of 10 years has been set by the current legislation governing charges for new electricity connections.

2.1-v) The council will forward fund the new infrastructure to remove this barrier to growth. The council could subsequently receive payments as parties (such as housing developers) connect to the new assets. These parties would be required, for the first 10 years after energisation, to proportionally pay their fair share toward the costs of the infrastructure under the so called “second comer” principle as laid out in the relevant legislation “The Electricity (Connection Charges) Regulations 2017”². See section 4.1 “Financial” for further information and Appendix D for further details on the repayment mechanism.

2.2 Connecting to the reserved capacity

2.2-i) UKPN process many connection requests to their network every year and are required to respond to these requests within conditions set by the regulator, Ofgem³. During the reservation period, connections to the reserved capacity can only be granted by UKPN with the permission of the Council. UKPN and the council have undertaken

¹ [Decision - Upgrades to Aylesbury Electricity Supply - Housing Infrastructure Fund - Modern Council \(moderngov.co.uk\)](https://www.moderngov.co.uk/decision-upgrades-to-aylesbury-electricity-supply-housing-infrastructure-fund-modern-council) (accessed May 24th 2022)

² <https://www.legislation.gov.uk/uksi/2017/106/contents/made> (accessed May 24th 2022)

³ <https://www.ukpowernetworks.co.uk/electricity/pre-application-support/connections-guides>

discussions to develop an initial high-level process for connections to the reserved capacity which is compliant with the requirements of both the council and UKPN. An outline of the high-level process is included in [Confidential] Appendix B. The most relevant aspects of this process are expanded upon below.

2.2-ii) The Council will maintain a dynamic map of the areas of Aylesbury within which UKPN may offer connections to the reserved capacity. The map will be regularly updated and discussed by UKPN and the council. This will allow the council to ensure that any new connections are aligned with the housing allocations from the Vale of Aylesbury Local Plan (VALP).

2.2-iii) UKPN will require any party seeking to access the reserved capacity to present a valid Letter of Authority ("LoA") from the council. This will allow the council to retain control of the reserved capacity and provide a clear and consistent approach for any parties that have reached agreement with the council to demonstrate this to UKPN.

2.3 Capacity Sharing Agreement with connecting parties

2.3-i) The recommended approach to reach agreement with parties wishing to connect to the new infrastructure is for the council to negotiate and enter into a "Capacity Sharing Agreement" ("CSA") with connecting parties as a pre-requisite for receiving an LoA. CSA agreements are widely used within the grid connection industry, although a Local Authority led CSA would be novel. A CSA would allow the council to agree with prospective developers how much capacity their development would be allocated from the new primary substation.

2.3-ii) It is anticipated, in line with the objectives of the Housing Infrastructure Fund, that connection requests for the reserved capacity will primarily be for domestic use such as housing and non-domestic use in line with the provisions of the VALP allocations. It is anticipated that CSA's will primarily be with housing developers or promoters associated with the relevant Aylesbury Garden Town allocations. For further details see section 2.4.

2.3-iii) Before entering into a CSA the council will require the connecting party to submit a Capacity Requirement Report which will detail the rationale and assumptions behind their requested capacity allocation. The report will be interrogated by the council and their consultants to ensure that the connection request is robust and plausible. A request for a larger than needed connection would take up capacity that could have been used by another party, for example another developer; this might prevent other housing from coming forward. The Capacity Requirement Report will mitigate this risk.

2.3-iv) The council will also require any connecting party, such as a housing developer, to submit a Sustainable Energy Report to the council outlining the steps they will take to ensure sustainable new homes in Aylesbury Garden Town. Specifically, the council will seek evidence of steps to support the uptake of electric vehicles; achieving the highest standard of energy efficiency to reduce householder bills and the use of low carbon and renewable heat sources such as heat pumps to minimise the carbon footprint of and

future proof any new housing. This step will encourage developers who wish to access the new grid capacity to consider how their developments can tackle climate change and rising consumer expenditure on energy bills.

2.3-v) Once these steps have been completed to the satisfaction of the council, an LoA can be issued to the connecting party which can be presented to UKPN; allowing the party to access the reserved capacity.

2.4 Underlying Principles for Capacity Use

2.4-i) In line with the intention of the Housing Infrastructure Fund, the new electricity supply capacity brought forward by this project is primarily intended to deliver sustainable, new housing and the necessary ancillary infrastructure. Further, it may also be used to support the development of the business space identified in the VALP allocations for the Aylesbury Garden Town, at the discretion of the Council.

2.5 Risks & Mitigations

2.5-i) There are risks and possible disadvantages associated with the recommended option. These, along with mitigations, are discussed here.

2.5-ii) If developers are not amenable to the proposed approach, they may decide not to engage with the Council and seek their own connection to the distribution network. For very small developments, this may be feasible. However, for larger developments it is anticipated that any alternative connection to the distribution network in SW Aylesbury would require significant reinforcement and extension works and be prohibitively expensive.

2.5-iii) It is also possible that, having signed a CSA and received a connection offer from UKPN with permission from the Council, a developer could “sit” on their connection and wait until the 10-year period for second comer payments has passed before connecting any housing to the new supply. This risk should be mitigated as far as possible by close collaboration with the Development Management Team, with Developers, and careful design of the connection process and connection offers.

2.6 Implications for Future Demand Beyond this Scheme

2.6-i) It should be noted that this scheme is intended as a one-off intervention and does not represent a long-term solution to all future need for reinforcement and extension of the electricity distribution networks across Buckinghamshire. The Council LA area is in the almost unique position of being covered by three separate DNOs (Western Power Distribution in the north, UKPN in the east and central areas and Scottish & Southern Electricity Networks in the south). It is anticipated that extensive reinforcement of both the transmission and distribution networks across Great Britain will be required to enable the electrification of heating and transport needed to meet the national net zero

targets by 2050. This wider need for reinforcement over the coming three decades represents a national infrastructure challenge.

2.6-ii) The Council does and will continue to engage with Ofgem, the Dept. For Business, Energy and Industrial Strategy, the Infrastructure & Projects Authority, Homes England and the three DNOs which cover Bucks to ensure that this infrastructure challenge is met as effectively as possible at a local level in Buckinghamshire.

2.7 Conclusion

2.7-i) Of the options considered, it is the view of the project team that entering a Capacity Sharing Agreement with developers wishing to connect to the new substation represents the best approach available to the council.

2.7-ii) For other options that were considered and discounted please see chapter 3.

3. Other options considered

3.1 Allow UKPN to allocate reserved capacity

3.1-i) One option would be not to enter into any CSA and simply leave UKPN to allocate the reserved capacity on a first come first served basis.

3.1-ii) This would have the advantages of lowering the resource requirements for the council and possibly increasing the likelihood of maximising returns to the Council under the second comer scheme.

3.1-iii) The disadvantages through not exercising control of the allocated capacity would be that it may not be used for housing at all and could be utilised by speculative attempts for demand connections in South West Aylesbury. It is possible that such an approach could be considered as not being in line with contractual obligations with Homes England and/or not seen by Homes England as being in line with the spirit of the Housing Infrastructure Fund. In the worst case, the capacity could be completely used up without the four sites AGT1, 2, 3 and 4 being serviced by a grid connection; this would result in the failure of the Council to achieve the most fundamental objective of Aylesbury Grid Reinforcement project.

3.1-iv) On balance, the disadvantages of this option are judged to heavily outweigh the advantages. It has therefore not been recommended.

3.2 Provide UKPN with a checklist for independently assessing connection offers

3.2-i) A second option would be for the Council to give UKPN a series of principles, whereby compliant grid connection requests could be accepted without recourse to individual discussions with the Council. These might include, for example, that all connections which are for housing and in certain geographical sites allocated by the local

plan automatically receive a connection offer utilising the reserved capacity. This option is being employed by another HIF funded LA scheme.

3.2-ii) The advantages of this option include reducing the resource requirement for council officers to discuss and negotiate with developers and potentially maximising the capital returns and amount of housing brought forward, achieving objectives A and B from the negotiating mandate. However, objectives C and D would not be achieved under this option, therefore it has not been recommended.

4. Legal and financial implications

4.1 Financial

4.1-i) The Grid Reinforcement project is funded by capital forward funding from Homes England through the Housing Infrastructure Fund.

4.1-ii) Through the so called “Second Comer” principle, as demand (or generation at higher voltage levels) connects to the new infrastructure they will be required to pay their proportional share of the costs back to the council for a period of 10 years after energisation. This period is currently anticipated as 2024-2034. These payments will be processed by UKPN and could amount, on current projections, up to £13.6m which would be available to the council to fund additional infrastructure subject to Homes England agreement.

4.1-iii) Following the detailed design phase and procurement of long lead time items, UK Power Networks will undertake a “cost refresh” of the contract. This will be subject to due diligence by the Council and their consultants. In the current climate of high levels of inflation of raw materials and industrial goods, there is no guarantee that the project costs will remain in budget. The Council however retains the option to cancel the contract should costs escalate to such an extent as to render the project undeliverable within the allocated budget. To manage the budget risk, the project has a robust reporting procedure including monthly reporting to the Project Board, who provide challenge and oversight to the project.

4.2 Legal

4.2-i) Section 1(1) of the Localism Act 2011 allows local authorities in England to do anything an individual can do, unless prohibited by law, this is known as the general power of competence. Under this provision the Council to has power to enter into CSA agreements with developers, provided these are in line with The Electricity (Connection

Charges) Regulations 2017 referred to above. Establishing policy guidelines increases transparency and enables the Council to achieve consistency in decision-making.

4.2-ii) The recommended approach will also ensure the Council continues to meet its ongoing obligations to Homes England as set out in the Grant Agreement for the Capital Funding

5. Corporate implications

5.1 Property

5.1-i) The new substation shall be located on land in Southwest Aylesbury owned by the council.

5.2 HR: N/A

5.3 Climate change & Sustainability

5.3-i) The approach outlined in this paper is consistent with the council's climate change and sustainability objectives.

5.4 Equality (does this decision require an equality impact assessment): N/A

5.5 Data (does this decision require a data protection impact assessment)

5.5-i) The council shall be cognisant of commercial confidentiality when dealing with housing developers and UK Power Networks.

5.6 Value for money

5.6-i) The approach has been designed to secure maximum value for money for the council and the taxpayer.

6. Local councillors & community boards consultation & views

6.1 Local Members have been consulted and are supportive of the approach.

7. Communication, engagement & further consultation

7.1-i) Following approval of the policy the project team will engage with housing developers, including regular meetings with their utilities representatives, to progress the discussions regarding capacity sharing agreements.

8. Next steps and review

8.1 The following steps are envisaged:

Step	Timeline
Key decision on substation location	July/August 2022
Agree methodology with UKPN	Summer 2022
Start monthly briefings with developers	June 2022
Report back to Leader	Autumn 2022

Table 1: Next steps

9. Background papers

- 9.1 It is a legal requirement to make available background papers relied on to prepare a report and these should be listed at the end of the report (copies of background papers for executive decisions must be provided to democratic services). Hyperlinks to papers published online should be used where possible. Where there are no background papers, insert none.
- 9.2 Appendix A - Summary Report for Leader - CONFIDENTIAL
- 9.3 Appendix B - High level UKPN connection process - CONFIDENTIAL
- 9.4 Appendix C - Initial Responses from Developers – CONFIDENTIAL
- 9.5 Appendix D - Aylesbury ECCR DRAFT v1.0 - CONFIDENTIAL

10. Your questions and views (for key decisions)

- 10.1 If you have any questions about the matters contained in this report please get in touch with the author of this report. If you have any views that you would like the cabinet member to consider please inform the democratic services team. This can be done by telephone 01296 382343 or email democracy@bucksshire.gov.uk