

Mike O'Carroll response.txt

From: Mike O'Carroll [ocarroll@weights.demon.co.uk]  
Sent: 14 November 2003 22:00  
To: Nienke Hendriks  
Cc: Paul O'Donovan; Gareth Evans  
Subject: DPCR response (Oct update)

Please accept this short response to the October Update.

With regard to distribution losses (3.28 - 3.38) and the related incentive, I would prefer to see the benchmark relate to PROGRESSIVE regional efficiency targets, for example reducing the benchmark loss by a quarter of a percent each year, in order to incentivise improved efficiency rather than a stagnant level of inefficiency.

After all, many public services have been incentivised by similar "efficiency gains".

A similar approach might assist incentives for distributed CHP. For DG more generally, especially where intermittent sources are concerned, the benchmarks should relate to zonal levels, so that excessive total generation in a zone would be discouraged, in favour of regional balance of generation and demand. The reasons for this lie with economy and security of the transmission system rather than with distribution, but "joined-up" thinking is needed to keep that in view.

Rather than having shallower connection charges (Innovation and RPZ discussion paper, July 2003, section 3.1), charges should in principle be cost-reflective. For example, remote intermittent wind-farm development implying high distribution and transmission costs should have deeper charges reflecting those costs. On the other hand, distributed continuous CHP in areas of net demand should have reduced charges (or negative charges, i.e. positive incentives) reflecting the implied savings in distribution and transmission costs.

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Mike O'Carroll

(Professor Emeritus M J O'Carroll)