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By email: FutureChargingandAccess@ofgem.gov.uk

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Dear Mr Cassels,

Access and Forward-looking Charges Significant Code review: distribution connection charging, the definition and choice of access rights, and transmission charges for small distributed generators.

Introduction

ABP owns and operates 21 ports around the UK and Hams Hall Rail Freight Terminal, which together handle around a quarter of the nation's seaborne trade. We operate four ports on the Humber, Hull, Goole, Immingham and Grimsby, which together constitute the largest ports complex in UK and serve its busiest trading estuary. ABP's Port of Southampton is the UK's principal port for the automotive trade and cruise, and home to the nation's second largest container terminal. ABP also operates five ports in Wales which form the backbone of the South Wales industrial cluster and handle a broad range of cargoes in support of local and national industries and manufacturers.

By facilitating trade and connecting British businesses and manufacturers to international markets, our ports act as important drivers of economic growth in regions and coastal communities around the country. Together with our customers, our ports handle £150 billion of UK trade, including £40 billion of UK exports through the Port of Southampton. In fulfilling this vital role, the ports support 119,000 jobs and contribute £7.5 billion the UK economy. ABP's ports are also at the forefront of the renewable energy sector, supporting the growth of the offshore wind sector and driving decarbonisation in the supply chain through on-site renewable energy generation for ports operations and our customers.

Constituted under the Transport Act 1981. Reference No ZC000195



The Consultation

In this response we wish to focus on one aspect of the consultation viz the possibility of transmission charges for small distributed generators and specifically the level of the threshold below which the charges would not apply. This response addresses the issues raised in Questions 5a to 5g, although we present our answers in a slightly more discursive format in order to present our thinking in a logical manner.

As you know, over recent years there has already been a considerable reduction in the embedded benefits available to Small Distributed Generation (SDG) in the form of Demand TNUoS and BSUoS changes. This was implemented on the grounds that embedded generation made use of the transmission network, if only for security reasons. Further additional costs are going to make it even harder for business to justify the development of small generation which tends to be renewable and has less of a reliance on the transmission network but which does not have the economies of scale of, for example, offshore wind farms. It should be noted that industry is competing regionally (in Europe and globally) and impacting SDG and behind the meter generation will affect UK competitiveness and harm attempts to decarbonise industry.

Ofgem are now considering the proposal that all generation users face TNUoS generation charges. The neater and most forward-looking solution would be for SDG to retain inverse demand charges (via the embedded export tariff (EET)) with the cap removed so that they may be exposed to positive charges in certain regions.

If all generation users are to face TNUoS generation charges we would be in favour of a threshold. However, we believe it would need to be higher than 1MW. We explain our reasoning below.

We note in the consultation document that Ofgem give three reasons why they believe 1MW is the appropriate level: it is the boundary that existing planning studies use to ensure the flows of distribution connected generation are accounted for; 1MW is the threshold at which users can take part in the Balancing Mechanism; and generators about this size are required to be included on DNO capacity registers. However, the consultation is silent on how the threshold would apply in a behind the meter situation i.e. whether it would be applied at generator level or boundary connection level. This is important because, as we explain below, they are not always one and the same thing.

ABP currently owns and operates renewable generation behind the meter on private networks. We have plans to develop more on-site generation and storage in order to help decarbonise both ABP's operations and those of our customers. The majority of the power generated would be consumed on site. In theory, there could be several installations on a private network behind the meter all at 1MW. The connection with the distribution network would not need to be as high as the aggregate of all the generation. It would, however, need to be higher than 1MW in order to allow the export of excess generation in periods when the on-site demand is lower than average. Except for the scenario of exporting GSPs, exporting private networks would be exporting for the benefit of the system on a local distribution basis i.e. they would be offsetting power being transported from the transmission network. The rationale that was used to justify the removal of the aforementioned Demand TNUoS and BSUoS embedded benefits does not apply here and for this reason there should not be a blanket application of TNUoS generation charges.

We are of the view that a more appropriate level for any threshold would be 5MW. Not only does this give the latitude required for the scenario outlined above on a private network but it would also be in keeping with the generation licence exemption and the original threshold for RO/FiT schemes which new SDG no longer has access to.

If you have any questions regarding this response please do not hesitate to contact me.

Yours sincerely,

Colin Prestwich
Energy Regulatory Manager