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Min Zhu
Technical Advisor
Ofgem
9 Millbank
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Dear Min,

DPCR – Business plan questionnaire (BPQ) relating to Distributed Generation (DG)

We are responding to the letter of 21 March, which included a draft BPQ relating to DG. Whilst we would agree that the issue is sufficiently important to warrant a separate BPQ, consideration will need to be given as to how the impact on the network from the forecasts and scenarios developed here will be reflected in the investment plans of the main BPQ.

Whilst we understand and agree with the need to split historic and forecast data, we are doubtful of the merit in further separating the basis on which the forecast data is provided, between pre and post 2005. From our experience, DNOs tend to only receive an application and information for generation schemes twelve months prior their commissioning. It is only the larger schemes e.g. over 5 MW, which have longer lead times and even then they are unlikely to exceed three to four years. We therefore consider that the interim period forecast should be merged with both the future baseline forecast and the future incremental forecast to give one forecast with a range of sensitivities, the forecast becoming more speculative as the known schemes decrease and the years advance.

In respect of these sensitivities or scenarios, we would suggest that they be limited to a maximum and minimum forecast, based upon predicted volumes of each generation type along the lines suggested in the draft. However, for the total level of generation forecast to be connected, in the absence of locational signals through the connection charge if a shallow approach is adopted, there must also be consideration of a maximum and minimum cost figure associated with providing the necessary infrastructure. Typical costs would cover changing of higher voltage switchgear together with circuit and transformer reinforcement. With dCHP the costs would reflect the costs of overcoming such technical problems as voltage control issues. On a point of detail, we believe the costs to be included should be for 'shared costs' only as shallow costs are likely to be funded directly by the DG through their connection charge.

From a West Midlands perspective, we see significant uncertainty in the volume of DG in the future and the varying impact this will have upon the investment required to connect them. This is borne out by the annual volatility in the number and size of units commissioned:

| | Number of Units | Output (MW) |
|--------------|-----------------|-------------|
| 1995 to 2000 | 22 | 214.0 |
| 2000 to 2003 | 16 | 91.7 |

This data is massively skewed by the commissioning of two gas turbines, in 1998 and 2001 of 111MW and 58MW respectively. It is also noticeable that the rate of installation in recent years is lower. This is reflective of the fact that the bulk of the renewable fuel sites in our region, suitable for generation, are now connected e.g. Landfill. The issue of DG therefore creates significant uncertainty for Aquila Networks since it is difficult to discern any consistent and obvious trends in volume and costs. In view of this, we believe it will be necessary, for the next Price Review, to allow the efficiently incurred costs of connecting DG to be passed through by DNOs, rather than attempt to devise a complex incentive regime based upon the limited and unreliable data which is available.

With regard to the availability and appropriateness of the detailed information requested, we believe there is some scope to reduce this. Whilst we will make every effort, we may only be able to produce detailed costs for the schemes commissioned in the last few years, from 2000. Prior to this, the availability of detailed information diminishes. We also see for all schemes the following information in table 1.1a as difficult to obtain and of little practical use in a price control:-

- (a) Connection application date.
- (b) Connection terms offer date.
- (c) Connection offer accepted date.

Furthermore, some of the information is not readily available to DNOs, for example "the average annual output in MWhr" in tables 1.1a, 2.1a and 3.1a. This information will only be readily available from the generator or supplier.

Finally, for small generation schemes below a certain size e.g. 1 MW, they can usually be connected to the network with little or no work. This is certainly true of domestic PVs and small CHPs in hotels and leisure centres. We therefore feel that the provision of detailed information should only apply to schemes over 1 MW. For the smaller schemes the information should be limited to number of schemes in each category and the installed capacity.

If you require further information or explanation of our points at this time then please do not hesitate to give me a call on the above telephone number. Otherwise, we will look forward to receiving your revised draft in mid May.

Yours sincerely

A.K. Phelps
Regulation Director