

7 March 2003

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Arthur Cooke
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Ofgem
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Dear Arthur

DISTRIBUTED GENERATION: A REVIEW OF PROGRESS

LE Group (LEG) has significant interests in many aspects of the UK's gas and electricity trading framework. These include:

- three licensed electricity distribution network operators (EPN, LPN and SPN);
- interests in exempt networks (via LES and SEEBOARD Power Link);
- gas and electricity supply businesses (under the London Electricity, SWEB, Virgin HomeEnergy and SEEBOARD Energy brands);
- generation through the ownership of Cottam, Sutton Bridge and West Burton power stations and the development of off-shore wind-farms;
- metering and data services (ECS).

LEG is therefore very interested in the development of distributed generation (DG) and its impacts, and welcomes the opportunity to respond to this paper. We share the view that this is a challenging and important area of work for both Ofgem and us and we look forward to working with Ofgem in making further progress.

We have recently responded comprehensively to the open letter to the Chief Executives of distribution network operators regarding distributed generation. It is not our intention to fully repeat here the points that have already been covered in that response but we would like to take the opportunity to summarise our comments on the matters covered in this paper. This we have done in the attachment to this letter.

We would also like to take this opportunity to re-emphasise our commitment to this work. This is exemplified in a number of ways. For example, we are already involved in the activities of the Distributed Generation Co-ordinating Group via Kevin Morton's (Managing Director, Power Networks) membership of the Group. In addition we are devoting resources to a number of the workstreams which are operating under the guidance of the Technical Steering Group (TSG). It is our intention to continue to support this activity as part of our commitment to sustainable development.

In summary, LE Group is very supportive to a programme of activity aimed at securing high levels of DG connected to networks.

Should you wish to discuss any aspect of this submission please make contact with Tony Woods, Power Networks Projects Manager (on 020 7725 3155) or with myself.

Yours sincerely

Denis Linford
Head of Regulation

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DETAILED COMMENTS BY LE GROUP

This paper indicates the responses to the possible actions that might be taken, before the next distribution price control period as outlined in Ofgem's March 2002 paper. These are repeated below

- the option of 'annualised charging' under existing connection charge methodology;
- consultation on reimbursing distributed generation 'initial contributors' from proceeds of later connections;
- establishing agreed classification (banding) of distributed generation;
- separate and appropriate identification of import and export active power quantities as best commercial practice for distributed generation; and
- full and comprehensible information for all prospective distributed generators.

Looking at these in turn

The option of 'annualised charging' under existing connection charge methodology

We outlined our views on this topic in the response to the open letter and welcome the recognition of the increased risks that annualised charging may bring. We look forward to working with Ofgem on the practical implications of the application of the credit cover principles outlined in the recent Ofgem document, "Arrangements for gas and electricity network operator credit cover", to this segment of the market with its particular characteristics.

It is also important to

- clarify the treatment of charges unpaid by a generator ceasing to trade and to confirm whether these would be added to the RAV or whether there were circumstances in which these would be distributor bad debts. DNOs will be reluctant to increase their exposure to bad debt and the regulatory uncertainty of its full recovery.

- recognise that there may be practical difficulties in application of this approach where the same assets are used for both importing electricity to and exporting it from a site

Consultation on reimbursing distributed generation 'initial contributors' from proceeds of later connections

We continue to support this approach.

Establishing agreed classification (banding) of distributed generation

We are aware of the work that has subsequently been undertaken here and support it.

Separate and appropriate identification of import and export active power quantities as best commercial practice for distributed generation

We continue to share Ofgem's preference for both import and export metering, recognising that in some circumstances this does not necessitate the use of half-hourly recording. LEG is an active contributor to Work-stream 4 on micro-generation (operating under the guidance of the Technical Steering Group) which is looking at some metering and related matters.

Full and comprehensible information for all prospective distributed generators.

The recognition of the progress that has been made here is welcomed.

In summary, LE Group is very supportive to a programme of activity aimed at securing high levels of DG connected to networks.

LE Group
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