

**RESPONSE TO
“DISTRIBUTED GENERATION – A REVIEW OF PROGRESS”**

We note that this is not primarily a consultation document but that Ofgem would be pleased to receive views on its content.

Whilst it is beneficial to highlight the many disparate pieces of work being undertaken in this area, it is of some concern as to whether sufficient co-ordination and control between the areas of work will be possible. It is unlikely that all the workstreams will be able to take account of relevant input which might have been made to other workstreams.

Our main concerns are on the issue of connection charges. Firstly, we are pleased to see that Ofgem recognise that interim proposals should not adversely affect existing distributed generation (4.41).

However, we are not convinced that the proposals to move to shallower or annualised connection charges will provide any benefit. In assessing the financial viability of a project, a developer will look at costs (such as connection charges and DUoS) over the life of the project, and so unless the sum of these is less than the situation at present, any change will not tend to provide any benefit.

If generation connection/DuoS charges are recovered on a class basis rather than site specific, then we believe that this will tend to have a detrimental effect overall. The overall costs recovered at sites which can support additional generation will increase, so discouraging developers from such locations. Conversely, the costs at sites where extensive infrastructure is required will not be fully recovered from the developer/generator, so requiring support from elsewhere. Only if the costs of all generator connections are reduced will additional distributed generation be encouraged onto the DNO systems.

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