

WESTERN POWER

DISTRIBUTION

Serving the South West and Wales

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Dear Mr Cooke,

Distributed Generation: A review of progress

This response gives the views of both Western Power Distribution (South West) and Western Power Distribution (South Wales) to the above.

We have already sent a response to the Open Letter on Distributed Generation issues (copy attached) which gives our views on many of the issues raised in this paper, hence our comments are restricted to additional areas on which we would like to add our views.

We continue with our previously expressed concerns over annualised charges. We note that Ofgem consider this to be a matter for distributors to take appropriate measures to protect itself from any potential credit **risk** and that such measure should be in line with commercial practice in a comparable market. A comparable market would be transmission that also acts under price regulation and a comparable rate of return. NGC require a long-term credit rating of A- or some form of guarantee from a bank or parent company holding such a rating. Such an arrangement in distribution for distributed generation connections is unlikely to be of benefit to any of the potential developers. Credit arrangements that are likely to be attractive to distributed generator promoters will carry a higher **risk** than that included in our rate of return and hence some form of regulatory cover for bad debts will be needed for annualised charges to be effective.

We note that this January review paper states that Ofgem and DTI are currently considering changes to the Electricity (Connection Charges) Regulations 2002, but also note that The Electricity (Connection Charges)(Amendment) Regulations 2002 were laid before Parliament on 31st December 2002. The changes as laid will cause considerable difficulty in implementation and confusion in dense urban areas where large new demand connections require network reinforcement. Whilst this



reinforcement work may be chargeable (under the '25%' and/or 'voltage' rules) to the development, the system benefit of the reinforcement work will inevitably be shared to improve the system performance and operating margins on the existing system. There is no obvious method to facilitate refunds as further load **is** added.

We continue to support Ofgem's view that net metering would not be **an** appropriate option in a liberalised market.

Please do not hesitate to contact me should you require further information or expansion of our views.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R G Westlake', with a horizontal line extending to the right from the end of the signature.

R G WESTLAKE
Regulatory & Government Affairs Manager