RWE Innogy

RWE Innogy Comments on OFGEM Consultation
Published November 2003

Small Generator Issues under BETTA

The following comments are made on behalf of RWE Trading, RWE Innogy plc, Innogy Cogen Ltd., Innogy Cogen Trading Ltd., npower Ltd., npower Northern Supply Ltd., npower Yorkshire Supply Ltd, npower Northern Ltd, npower Yorkshire Ltd, National Wind Power.

Definition of Transmission

The Government has stated that small generators directly connected to 132kV in Scotland should be treated in a non-discriminatory way (vis a vis their counterparts in England & Wales). It should be possible to make suitable adjustments to the relevant industry codes to ensure that parties of the same size, connected at the same voltage and supplying only their local network operate under the same commercial conditions, irrespective of whether the connection voltage is defined as transmission at the point of connection. It is therefore unnecessary to change the definition of transmission set out in the EA 1989.

Ofgem appear to believe that the 132KV assets in Scotland are used primarily for the “bulk transfer” of electricity and consequently should be classed as transmission. Ofgem argue that the primary use of 132KV assets in England and Wales is not “bulk transfers”. However, there is no evidence to support either of these assertions. Furthermore, the extent to which these assertions are true will change subject to ongoing developments of the networks in both Scotland and England and Wales. For example, we are aware that there are plans to upgrade significant sections of the 132kV system to 275kV and 400kV. This may change the primary use of 132kV lines in Scotland to distribution rather than bulk transfer. The commercial arrangements put in place for BETTA must be robust to such developments.

A GB Grid Code and small generators

Whilst the consultation refers to ‘small generators’ it fails to define what it means by small. The current BETTA Grid Code proposals define a Small Power Station in E&W as being less than 50MW but less than just 5MW in Scotland. We therefore assume that, under the current proposals, any generation registered as a BMU of more than 5MW in Scotland will be required to comply with the Grid Code in respect of frequency response and voltage control capability and the submission of Physical Notifications. Similarly, the proposal that Physical Notifications are submitted in respect of Supplier BMUs with a Demand Capacity greater than 5MW in Scotland will impose obligations on small generation connected below 132kV and registered in SMRS which will be significantly more onerous than similar generation connected within E&W.

RWE Innogy plc

Trigonos
Windmill Hill Business Park
Whitehill Way
Swindon SN5 6PB

T +44(0)1793/87 77 77
F +44(0)1793/89 25 25
I www.rweinnogy.com

Registered office:
Windmill Hill Business Park
Whitehill Way
Swindon SN5 6PB

We are surprised that the above issues do not appear to have been recognised in this Small Generator Issues consultation. Given that the resultant obligations would be significantly more onerous than those that apply in E&W and, we believe, what currently applies in Scotland, we would urge Ofgem to reconsider these proposed requirements. An appropriate solution may be to change the definition of small generator in Scotland to be a generator of up to 30MW (the current central dispatch limit).

Charging and 132kV transmission-connected generation

The overiding principle of the GB charging arrangements for all generators should be that the transmission charges paid by a generator reflect the costs that the generator imposes on the transmission system. The transmission charges on 132kV connected small generation in Scotland should therefore reflect the costs it imposes on the 132kV network in Scotland *and* the costs (if any) it imposes on the 275kV and 400kV network. Similarly, the transmission charges on 132kV connected small generation in England & Wales should reflect the costs it imposes (if any) on the 132kV network in Scotland *and* the costs (if any) it imposes on the 275kV and 400kV network. It is unlikely that this cost is zero for all examples of either case. A blanket exemption (or discount) from transmission charges for 132kV connected small generation is therefore neither appropriate in Scotland *nor* in England and Wales. It would distort the signals provided by charging methodology and result in a cross subsidy from larger to smaller generators. An appropriate solution to the disparity between the distribution and transmission charging regimes requires the application of a consistent ICRP methodology for the calculation of locational tariffs for both distribution and transmission.

Page 53 of the consultation document states that the net benefit of a small embedded generator is the residual charge avoided by the generator plus the residual charge avoided by the supplier (as the locational elements of the tariff cancel out). This is not strictly correct as charging is done on a zonal basis and the zones for demand and generation are not aligned. The charges for demand and generation at the same location are therefore asymmetric and do not cancel out as suggested. Aligning the charging zones for generation to that of demand would make the locational elements symmetric and improve the stability of charges. This may be achievable in the context of a review of zoning criteria for the GB charging regime.

A GB CUSC and small generators

We would welcome greater flexibility within the CUSC to facilitate the transfer of responsibility of obligations to another party. A frequency response market such as that set out in CAP047 (and a replacement of the current physical obligation with a commercial obligation) would provide a far more efficient mechanism for the procurement of the required level of frequency response. Generally, the

adoption of market processes should enable resolution of issues relating to mandatory services and associated problems with the implementation of both the GB Grid Code and the GB CUSC.

Trading Options

We do not believe it to be necessary for small, transmission-connected generators to be required to be parties to a GB BSC. However, the trading rules put in place under BETTA must facilitate the use of consolidation services as a more efficient alternative for small generators.