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Dear Sir

Small Generator Issues

Thank you for the opportunity to comment on these proposals.

United Utilities fully supports the need to take action to ensure common, non-discriminatory and transparent arrangements across GB. However, in relation to the status of the 132kV networks Ofgem/DTI are trying to effect a fudge to market arrangements rather than address the underlying problem in primary legislation. We are concerned that what is being proposed will be necessarily complex, and probably lead to unintended consequences.

We can see no logical reason for defending the different classification of Transmission in Scotland from that in the rest of GB, and are not persuaded by the arguments set out in the consultation document.

Firstly it is probably worth explaining that we view the essential difference between Transmission and Distribution as being almost completely separate from notions of assets size or voltage, and the relative magnitudes of power flows. It is not helpful to try to define "bulk" supply: by definition each England and Wales Grid Supply Point supplies several Bulk Supply Points at 132kV (ie bulk supplies are already afforded over the 132kV system). What characterizes Transmission is the need to manage second by second the energy balance for a network – ie that part of a SO function that is absent from Distribution. Once the SO function has been separately identified, and codified, as under BETTA, the differences between Transmission and Distribution become increasingly blurred. Blurring from the opposite direction comes with the growth of distributed generation in that there is a growth in SO type functions in the distribution network, although whether this will ever progress to actual energy balancing is a moot point.

Turning now to the views presented in your paper we note the Government's view (in 3.11) that 132kV is used for bulk transfer of power in Scotland might be true, but in GB terms these power flows are not large. There are parts of E&W where this is true too. Paragraph 6.10 states that in Scotland there is around 1GW of generation connected to the 132kV network. In Cumbria alone, until the recent closure of BNFL's Calder Hall power station, there was

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629MW of generation directly connected to the 132kV distribution system. In 3.11 the Government goes on to assert that these bulk flows indicated that the 132kV system should remain part of the transmission network. This misconceived attachment to some notion of "bulk" persists in the first bullet of 8.9. Given the fact explained above that Transmission really implies a full SO function, and the modest size of the 132kV system cf that in the rest of GB, there seems no supportable logic for the Government's view.

The TISC report, quoted in 7.10, did not state upfront that the definitions should be harmonized – but nothing in your consultation paper suggests that it also ruled this simple expedient out as a means of "providing an equality of treatment" for generators connected at 132kV

We also believe that the view expressed in 8.18 that a transmission connected generator is "supplying energy for the purpose of addressing the mismatch between generation and demand across the transmission network." This is only true if the generator is fulfilling an ancillary services contract with the SO; otherwise it is simply dumping energy into the infinite bus of the Total System. And there are ancillary services contacts between the SO and 132kV connected generators in England and Wales. Again therefore there is no prima facie need to maintain differences between Scotland and the rest of GB.

Lastly we recognize that work is required to ensure that all parties are charged equitably for use of the networks, and that distribution connected small generators in exporting GSPs give rise to power flows that might not be appropriately charged for under current arrangements. However this is a matter that we believe is more fairly addressed, certainly in the longer term given significant growth of DG in England and Wales as well as Scotland, by changing one set of charging methodology rules for GB, rather than making ad-hoc adjustments to cover for institutional differences. Such adjustments are notoriously hard to predict and will lead to confusion and additional costs.

Given the anticipated growth of renewables and other forms of DG, we believe that we should be seeking a framework that is applicable GB wide and gives generators similar sizes identical commercial opportunities, with economic signals being sent by a homogenous market arrangement reflecting the local costs of connection and operation.

I hope you find these comments helpful and if you wish to discuss please do not hesitate to give me a ring.

Yours sincerely

Stephen Parker

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