Dear Nienke,

Thank you for the opportunity to comment on the Electricity Distribution Price Control consultation.

Please find our response to the consultation on behalf of Diageo Global Supply, Port Dundas Distillery, 74-80 North Canal Bank Street, Glasgow G4 9XL. Contact Alan HP Barclay, General Manager (tel: 0141 333 2509).

As you probably know, our client has been committed to the UK climate change programme since its conception and as part of Diageo's commitment to delivering its share of the UK's Kyoto commitment we have invested heavily in energy efficiency techniques and have a negotiated agreement under this programme.

We fully support Ofgem's consultation objective in encouraging embedded generation within the DNO regions and have since 1990 been operating a 6.5MW CHP plant at our Port Dundas Distillery in Glasgow. However we do have a number of concerns regarding the consultation which we ask Ofgem to consider as part of the review.

Our concerns are as follows:

- **Price Control**: We believe depreciation rate should be compatible with the DG connection assets for demand customers i.e. 20yrs. This is based on benefits that embedded generators bring to demand customers i.e. reduction in losses and security of supply. Demand customers benefit from these due to reduced imbalance charges in the balancing market for reserves and also reduced operating costs in the distribution network e.g. voltage / impedance balancing losses, load losses etc. Embedded generators do not get all of these benefits – usually shared.
  Same applies to O&M charge component.

- **Structure of Charges**
  - Incentives to DNOs: We fully support this concept however any costs should be paid by all DNO cutomers i.e. generators and demand users as they benefit from security of supply. We would like to know how the £2.50/kW value was calculated and what this does to the IRR of the DNOs. Under the scheme the IRR is 7.5% real (pre-tax) – this is too high for a low risk business as the DNOs can recover this investment and they also gain from embedded generation. We would be proposing some form of brokerage / admin type incentive along the lines of LIBOR + 1% i.e. circ 5% nominal.
  - RPZs: We support the concept and GUOS is a fair apportionment of distribution costs. Generators should also have access to this type of funding if they are working with the DNOs to enhance the system i.e. some form of AS contract.
  - GUOS and Entry / Exit charges: The principle must be that generators only pay once for the assets and use of the system. For existing generators (who paid deep connection costs) they should not

pay GUOS for a period of 20 years since their commercial operations date. All generators (existing and new) should only pay for either demand capacity charges or generator capacity charges not both! This concept has been adopted in the Republic of Ireland and is not seen as contentious but a fair charge for using the assets.

These are our key concerns which we believe need to be addressed as part of this review. If there is any clarification required on our points then please do not hesitate to contact us.

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These comments are not confidential and the paper is being copied to the Combined Heat and Power Association
Yours sincerely

Carlo Rossini
Director