

Dear Neinke

Please see EIUG's comments below in response to Ofgem's March 2004 document on the Distribution Price Control. We would be happy for these to be placed in the public domain.

Regards, Jeremy.

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Distribution Price Control - EIUG comments

EIUG supports the principle of EHV charges falling within the scope of the distribution price control. We believe that when assessing future charges, Ofgem should not automatically assume that current EHV charging levels (relative to other distribution charges) are necessarily fair to EHV users. We believe that a mechanism should be retained to refer EHV charges to Ofgem for determination in the event that these are disputed. We also believe consideration should be given as to how transparency in EHV charging could be improved, possibly to the extent of publishing site-specific charges.

EIUG has already expressed its fear that undue pressure will be placed on Ofgem to encourage expensive upgrades to the distribution networks in order to accommodate new distributed generation, especially renewables, which might reduce the current likelihood that government targets will be missed by an embarrassingly wide margin. One means of artificially stimulating excess investment would be to radically reduce connection charges and smear the cost of upgrades across all demand users through higher distribution use of system charges. EIUG does not oppose moving towards shallower connection charges in principle, but not to the extent that the risks and costs of extending the networks or implementing active control falls disproportionately on consumers. In the interests of economic and allocative efficiency, new distributed generation should continue to bear a sizeable level of risk in relation to the costs of connection to the system, and indeed to other upgrades that may be required. If the result of this is that wind generation schemes are revealed to be even more uneconomic than the renewable lobby already admits, thus adding further doubt as to whether the government's targets are viable, so be it.