

Structure of electricity distribution charges
Consultation paper: Proposed DNO charging methodology statements (235/04)
Comments of CLP Envirogas Limited

CLP Envirogas Limited is a developer of small renewable energy generation projects and is an existing generator. We welcome the opportunity to comment further on the proposed DNO charging methodology statements. Our comments are as follows, referring to the numbered paragraphs in the consultation paper:

5.19 **Generation tariffs at EHV** Transparency in all charges is needed during the development stage of a project to enable the developer to prepare financial models for a project. The risk encapsulated in the Ofgem phrase “deferred deep connection charging” concerns us as a small developer. It is crucial that the DNO charging methodology statements provide sufficient information regarding the generation tariffs at EHV, to ensure that the move from a deep connection charging regime in April 2005 is not compromised by the backdoor.

5.21 **Tie-in on generation capacity** We support the Ofgem view that five years (as put forward by a number of DNOs) should be the maximum tie-in period. Clarity is needed with regard to the treatment of sites ceasing to generate during the tie-in period. DNOs should be required to detail their proposals regarding this aspect of the tie-in.

5.23 **Limiting charge volatility** Various DNOs put forward proposals for limiting charge volatility. For project budgeting and development purposes, stability and the ability to identify costs across the lifetime of a project, (as long as 15 years in some cases), is an important factor. We consider the proposal for a year on year cap on charges by a +/- percent to be the preferred proposal. This method avoids the need either to prepare budgets based on a maximum £/kVa charge or to include speculative contingencies.

General

Definitions The DNOs should be encouraged to use a common definition for “capacity” in their methodologies, since generators are buying the ability to export from the DNO. A definition based on export capacity rather than installed capacity is our preferred option.

Existing Generators The position, after 2010, of generators already connected at 1 April 2005, in relation to GDUoS continues to give us concern. Our response to the Initial decision document setting out our concerns is attached.

We would be happy to be involved in further consultation or discussion regarding the GDUoS charging scheme development.

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Initial decision document
Comments of CLP Envirogas Limited

CLP Envirogas Limited is a developer of small renewable energy generation projects and is an existing generator.

The principal area of concern raised by the Initial decision document is the impact of the DUoS charge on existing generators. As a small renewable generator, connection charges are a significant portion of our development costs. These connection charges typically include lump sums attributable to capitalized lifetime maintenance charges. These costs are then amortized over the long life (at least 15 years) of the generating station.

The Initial decision document proposes that existing generators and those with firm connection quotations (Existing Connections) should not be liable to DUoS charges until 2010. For projects with recent in-service dates, a transition to DUoS charges of 2010 doesn't provide enough time to amortize these costs. As payment of the connection charge entitles us to remain connected without further charge, this exemption should continue for the lifetime of Existing Connections. Provision should be incorporated into the DUoS charging scheme to ensure that the financial impact of the scheme post 2010 is neutral in relation to Existing Connections, particularly in the case of small generators whose connection costs are disproportionately high.

We would be happy to be involved in consultation on the DUoS charging scheme development.

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