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Dear David,

**BETTA “minded to” statement on the interim discount for small transmission connected generators**

I am writing with SSE’s response to the above consultation. We continue to have serious concerns about NGC’s charging methodology and its application to GB tariffs under BETTA. However, it would appear that, for an initial period at least, some variation of NGC’s model will be employed at BETTA go-live. We therefore agree that, in these circumstances, it would be appropriate to apply a discount to NGC’s tariffs for small generators connected to the 132kV system in Scotland. Our following comments are without prejudice to any possible appeals against the generality of NGC’s charging methodology.

We agree that it would not be appropriate to link the 132kV discount to the level of the generator residual charge, since this is sensitive to assumptions in NGC’s charging model. However, the sum of the generator ( $G_R$ ) and demand ( $D_R$ ) residual components is relatively unaffected by the model parameters, and we agree that in the interim period before a more comprehensive review of tariffs the sum of these should be used as the basis of the discount.

However, we do not agree with Ofgem’s analysis that the discount should be 25%. Part of Ofgem’s rationale is an assumption that the “embedded benefit” for generators in E&W is shared 50/50 between supplier and generator. For generators registered in SVA, there is clearly a negotiation between supplier and generator. However, a precedent has been set in that Ofgem have separately determined that for NFFO generators the sharing of benefits should be 80/20, with the generator getting the 80% share. Also, for CVA registered generators, the benefit is paid directly to the

generator by NGC (UoSCM-M-07 refers). 132kV registered generators in Scotland would be compelled to be CVA registered, so the like for like comparison would be with CVA registered embedded generators in E&W. It is therefore incorrect to discount the benefit by 50% before consideration of the effect of “deep” connection charges and it should be assumed that embedded generators receive 100% of the benefit.

At present, embedded generators pay a deep connection charge, whereas transmission connected generators pay a shallow charge, meaning that more of the network charges are recovered through TNUOS. It is therefore appropriate to make an adjustment to the discount because of this difference in charging. However, the charges for distribution connected generators from April 2005 will be on a shallow basis, but the generators will face a new use of system charge. This charge has been estimated at up to £5/kW. The discount, on a like for like basis should therefore be  $G_R + D_R - 5$ , which would be around £8/kW rather than the £4 proposed by Ofgem. This would be broadly equivalent to a discount of 50%, rather than the 25% propose by Ofgem.

Yours sincerely,

Rob McDonald  
Director of Regulation