



taking care of the essentials

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Our Ref.
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09 December 2005

Dear Colin,

Enduring transmission charging arrangements for distributed generation

Thank you for the opportunity to comment on the above named discussion document. As a general point, we do not believe the discussion document has clearly identified the issues it is seeking to resolve. From our interpretation of the document it appears Ofgem have concerns relating to:

- Information provision from distributed generation,
- Exporting GSP groups,
- Access rights to the transmission system,
- The different levels of transmission in Scotland and England and Wales, and
- The existing inequality of contracts between distributed generators and the system operator.

Centrica do not believe that the proposals in the discussion document will address all these issues. Indeed, we do not agree that all these are problems. However, we do agree that there is a discrepancy in the treatment of transmission and distributed connected generation, specifically in regard to generation in exporting GSP groups. We do not consider that the current arrangements need wholesale change in order to overcome the identified discrepancy, particularly if it is accepted that much of the problem arises due to the different definitions of transmission voltage.

We believe it is important that any proposals preserve the embedded benefits realised by distributed generators as commercial decisions were made on the basis of the current model. We are concerned that these proposals may create barriers to entry for new generation and may compromise the diversity and security of supply.

Furthermore, any regime should be cost reflective, that is targeting the costs to those that cause them. We do not see any evidence that distributed generation, except the exported amount of generation in GSP groups that export to the transmission system, impose costs

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on the transmission network. As such the proposals in the document risk discrimination as a result of charges incurred as compared to the use of transmission system.

Taking the options discussed in turn,

OPTION 1: Do nothing

We accept that to do nothing is not appropriate, as there is an issue of exporting GSP groups which needs to be dealt with in the short term. With the likely increase of distributed generation, this issue will only worsen over time.

OPTION 2: De-energise plant that spills

We agree with Ofgem's assessment, and do not support this option.

OPTION 3: Amendments to the charging model

Centrica believe that although this option does not address the issue of exporting GSP groups it does merit further investigation in relation to an enduring solution to the issue of the rebate for small generation connected to the 132kV transmission network in Scotland.

OPTION 4: Extend the SCLF ICRP model to parts of the distribution network

Distribution companies are in the process of trying to agree and build a uniform charging model for distribution charges. We do not believe that this option is appropriate at this point in time.

We further suggest that transmission and distribution networks are very different and it is questionable whether or not the same model should or could be applied to both and still produce cost reflective tariffs. In addition, the costs of creating a DCLF model for the distribution networks may be prohibitive and this option is likely to result in a substantial step change to distribution tariffs which we suggest is a disproportionate action to resolve this issue.

OPTION 5: Amend the size definition as the basis for charging and contractual agreements

We are not convinced that this option will actually resolve the issues identified. If the threshold is lowered then we suggest this will still act as a deciding factor when developers are making commercial decision on new plants. Those that wish to avoid TNUoS charges will act on this factor and build stations as close to, but lower than, the threshold as possible. We suggest this is still a correct incentive and, at this time do not support the lowering of the threshold.

OPTION 6: Creating a consistent liability for charges

This option is not a solution to any of the issues raised. The discussion in the document does not reflect the fact that within a GSP group that where the level of distributed generation is lower than demand, the generation actually decreases the costs on the transmission system. This is the case for the majority of GSP groups. As charging is supposed to be cost reflective, no transmission charges should be imposed on distributed generation that is not using the transmission system.

Furthermore, we do not believe that this option would avoid the need for contracts between distributed generators and the system operator.

We do not support the implementation of this option.

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OPTION 7: Agency models

We do not believe an agency model is appropriate. In our view, it is a disproportionate response to an issue that is limited to a few GSP groups.

Were agency models to be considered it is essential that costs are kept to a minimum as they will ultimately be passed through to the end consumer. In our view this is adding a further layer of unnecessary bureaucracy. It will also increase the level of information provision required by distributed generators.

Furthermore, we do not believe that it would be viable for the current arrangements to be extended to provide access to exporting GSPs as the DNO would have to secure a value for TEC, and would have little control over the extent to which this may be breached in aggregate by the generation and demand patterns within the GSP. Neither do we suggest that the issue warrants wholesale change of the current access arrangements.

We suggest that this issue is considered in further detail with representatives from across the industry and proposals for creating specific arrangements for exporting GSP put forward to wider industry consultation. Centrica would be more than happy to participate in any workshops or discussion meetings that Ofgem host.

Please contact me if you have any queries regarding this response.

Yours sincerely,

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