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Dear Mark

Consultation on Electricity Distribution Use of System charging Modifications Proposals Central Networks and United Utilities – Reactive Power Charges

Econnect represents the renewable energy generating industry at the Distribution Working Group (DWG) a joint DTI, Ofgem and industry forum. A paper has been drafted and presented to the DWG on various issues associated with generator customers' reactive power and related charges. The DWG paper has had feedback from DNOs and is in process of further discussions inside and outside the DWG.

The comments here are made specifically in relation to generation customers but are made on the basis of parity between demand only, generation only and mixed-use customers and on the basis of cost reflective charging.

1. Different application of charges.

We note that CN proposes “new charges for only demand users” whereas UU “charges will apply to demand and generation users”. These statements are misleading. The charges can be made on imports or exports or both. However, all generator customers are demand users as they import power when they are not generating and have import capacities to cater for this.

We agree that customers with generation should be treated in the same way as customers without generation in respect of their imports.

We agree that generators should be charged for excess reactive power beyond the non-chargeable power factor range (on a cost reflective basis) for imports during periods of real power export. However, there is no evidence that customers importing reactive power during real power export periods are increasing costs, and probably to the contrary. Until there is evidence of an overall increase in costs these excess reactive charges should be set to zero.

2. Data for calculation of charges.

A key concern, which has been raised from the DWG paper, is the collection and processing of meter data for the calculation of charges. It is being recognised that the current Metering Codes of Practice are not aligned with having separate import and export suppliers and separate import and export DUoS. As a result there are a number of adverse possible outcomes for customers with generation due to erroneous calculations of:

- Power factor (which can be used to trigger excess charges).
- Import capacity and associated capacity charges (due to metered data from VAR imported during kW exports).
- Import capacity and associated capacity charges (due to metered data from VAR exported from cable networks during kW imports).
- Reactive energy units imported during real power exports being allocated to the import supplier and charged under the import tariff.

3. EHV

The CN document on use of system charging methodology discusses EHV tariffs¹ and proposes to make exceptional charges for some customers, notably customers with generation. Any tariff methodology will result in some overcharging and some undercharging and these errors in any tariff must be balanced against the administrative costs and complexity of administering yet another tariff.

However, it is not acceptable for a DNO to target certain customers in any tariff in order to levy non-transparent exceptional charges. The tariffs should be structured so that there is a relatively small deviation between those customers (within each tariff band) who are overcharged and those who are undercharged. If there are customers whose deviation is too great within a certain tariff band, then a new transparent tariff band should apply, rather than exceptional charges levied. After all there is no equivalent proposal to compensate customers who are overcharged in a similar way.

4. Conclusion

We propose that Ofgem reject the UU methodology with the additional complications, errors and disputes involved and request the removal of Reactive Charges for exports in order to give the industry a chance to resolve these issues noted above.

The CN methodology should be rejected due to the potential for discriminatory application of EHV charges to some customers.

Yours sincerely

Guy Nicholson

¹ Section 1.5 Pages 18/19
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