Enduring transmission arrangements for distributed generation

Overview

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Why Ofgem became involved

- Concerns expressed to Ofgem during GB charging process
- Properly reflect impact of distribution connected generation on the GB transmission system
- In particular – cost-reflectivity of charging arrangements, effect on efficiency of transmission usage and thus on consumers
- At a minimum, review should consider an enduring solution to the 132kV discount

Process to date

- Early stage in the process
- Ofgem published discussion paper in September 2005
- Respondents' views submitted by 9 December 2005
- Issues have been discussed at a preliminary stage in the TCMF
- Ofgem has met with a number of interested parties

What the September document did

- Set out the current arrangements relating to distributed generation
- Identified a range of issues which may merit addressing
- Set out a range of possible options to address these issues

➢ **Fundamentally - to stimulate debate and canvass industry views**

What the September paper didn't do

- Draw firm conclusions
- Prescribe a way forward
- Mandate (or rule out) any option

➢ **Ofgem expressed the view that it should be up to industry participants to express views and subsequently to decide value of amendments to existing arrangements**

Issues to be addressed

- Cost reflectivity
  - If parties impact on transmission flows should they face a share of network costs?
- Perverse Incentives
  - Do arrangements incentivise connection at distribution Voltage?
  - Do arrangements incentivise connected in inefficient Locations?
  - Do arrangements incentivise the sizing of plant below thresholds?
- Implementation costs

Options – Minimal Change

- Options arranged in order of degree of change

- Do Nothing
- De-energise spilling plant
- Amend the charging model

Options 2 – Medium change

- Extend existing locational charging model to distribution voltages
- Amend size definitions as the basis for charging and contractual arrangements
- Creating a consistent liability for charges by decoupling residual charges and charging demand and generation as equal and opposite.

Options 3 – Agency arrangements

- A party provides an interface between NGET and distributed generators

- DNO Agency
- Supplier Agency
- DSO Models

Respondents' views (1)

- 20 responses received
- A wide range of views expressed.
- Broad support for
  - Do nothing
  - Agency style options
- Little support for options 2 - 5

Respondents' views (2)

- Do nothing (Pro)
  - The issues highlighted are material
  - The magnitude of these issues will increase over time
  - The cost reflectivity of charges can be expected to decline
- Do nothing (Con)
  - The problem has not been quantified
  - The issues are specific to a limited number of locations

Respondents' views (3)

- Agency Models widely supported
  - DNO agency received most support
  - Supplier agency received some support
  - DSO agency universally seen as complexity for minimal benefit

Agency Models

- Pros
  - A single interface with the SO, benefits system management
  - Increased efficiency
  - Lower administrative burden
- Cons
  - Complexity
  - Limited need for change

Additional Issues

- Note September paper was entitled “charging arrangements”
- Accept slightly misleading
- Content of September paper recognised issue to be much wider
- Are associated issues of:
  - Operational control
  - Transmission access
  - System planning

Way forward

- Key issue
- How involved should Ofgem be?
- To be discussed in afternoon session

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