

Generator charging from 2010 – Ofgem thoughts

Background

- We have considered options in more detail and:
 - We would welcome ISG thoughts on our discussion paper
 - Further information from DNOs will aid assessment of options
- Further industry consultation will be required on options

Objectives

- Primary objective
 - Generators receive appropriate economic signals

- Other objectives
 - Simplicity and transparency
 - Proportionality
 - Minimisation of regulatory risk
 - Non-discrimination between pre-existing and new generators
 - Delivers the best result for customers

Options A and B

- Option A would be to do nothing, but we recognise that DNOs could voluntarily contract with generators. This is simple, but may not treat pre existing and new generators in the same manner
- Option B would introduce GDUoS charges with no compensation for deep connection charges. This is simple, transparent and provides an economic signal going forward. Existing generators may notionally be double charged for assets

Options C1 and C2

- Compensates generators for the change in charging regime
- Time period of right would have to be determined
- Compensation as a lump sum or as an ongoing rebate
- C1 – values access currently enjoyed in terms of GDUoS charge. Difficult to apply in negative charging areas. Level of compensation unclear currently
- C2 – values deep versus shallow connection charge. This recognises change in boundary on same basis as original charge paid and introduces GDUoS going forward. Potential data issues

Option C – initial thoughts

- Option C could consistently apply GDUoS charges going forward (with a lump sum repayment)
- Potentially more complicated to implement than options A or B
- Duration of pre-existing generator rights has to be addressed

Option C – issues to be considered

- Determine cut off point before which no compensation applied
 - 20 years - in line with typical generator financing period?
 - Connections prior to 1990 would then not be compensated
- Determine form of compensation
 - One off repayment preferable to yearly rebate?
 - DNO funding of this may need consideration
- C1 – determine how to compensate generators in negative charging areas
- C2 – determine method for valuing deep connection charge versus shallowish connection charge
 - Value at 2010?
 - Use MEA net asset values and a 20 year depreciation period?

Further information required

- Details of DG connected under old deep charging regime:
 - connection date
 - size of connection (MW)
 - whether deep connection charge was paid
 - how generators have been / will be treated with regard to joint use assets that have been / will be replaced after they had connected
- Details of the contract signed by generators

A large version of the ofgem logo, featuring the word "ofgem" in white lowercase letters on an orange rounded rectangular background. The background of the slide is a blue-tinted image of electrical outlets and a person sitting at a desk with a laptop.

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