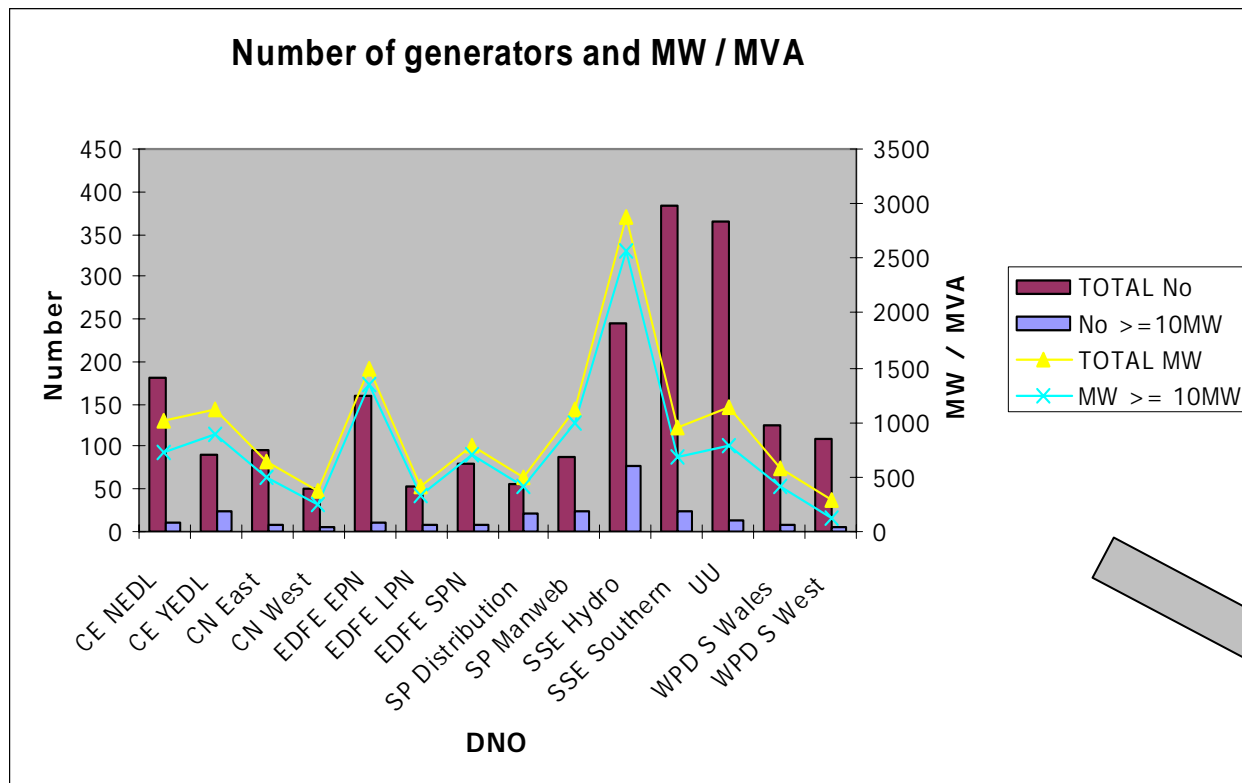


# Generator charging from 2010: data request and options

# Summary

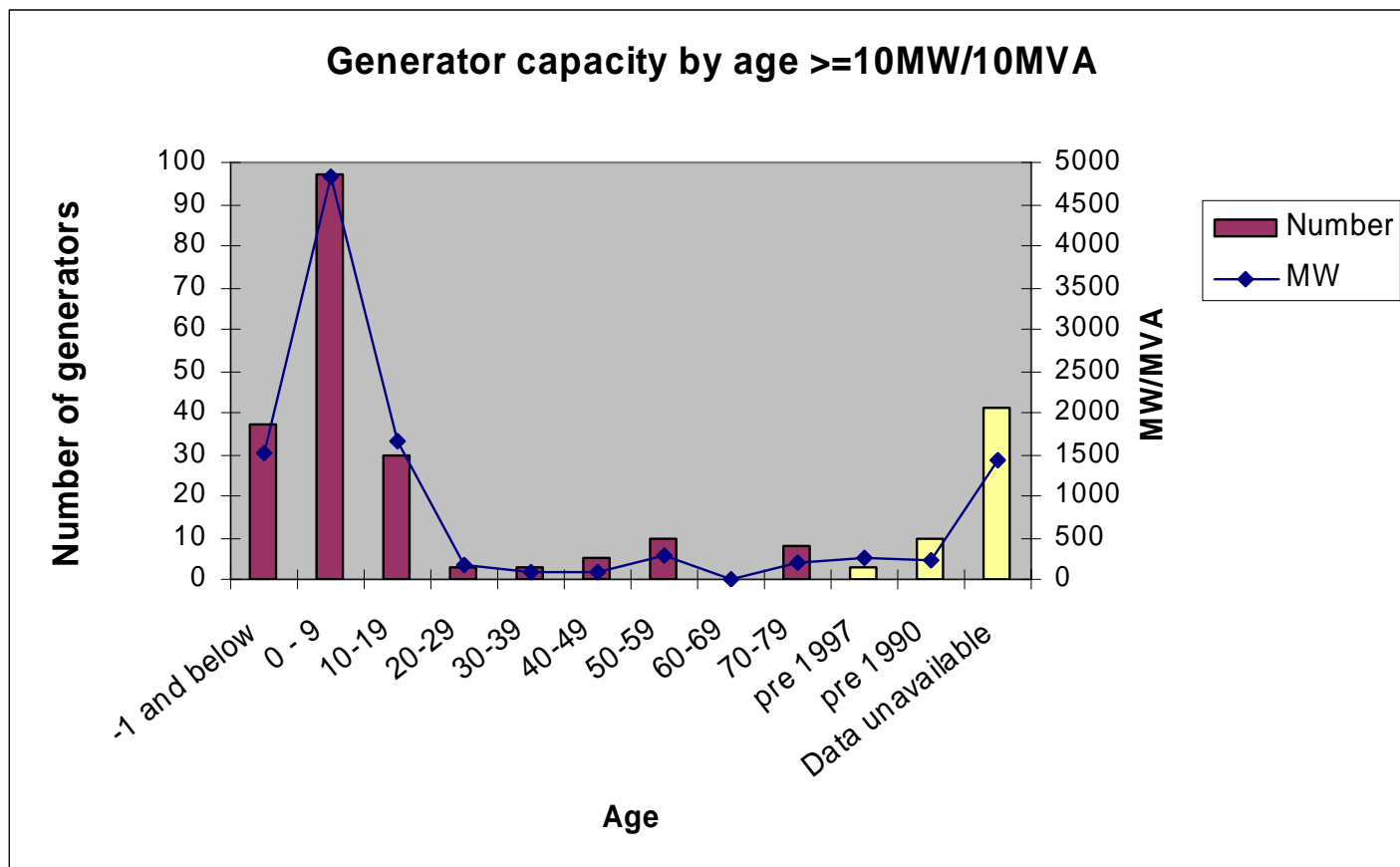
- Options discussed at April ISG
  - A. Do nothing
  - B. Introduce GDUoS charges, no compensation
  - C1/C2. Introduce GDUoS charges with compensation
  
- Data request
  - To determine scale of issue and practicality of options data was requested regarding number, size and age of pre-existing generator connections as well as contractual details
  
- We have reviewed options in light of data request

## Data request Result 1: Small number of connections account for bulk of MW



	Number of connections	Capacity
Total	2081	13274
>=10MW	247	10710
<b>%</b>	<b>12%</b>	<b>81%</b>

## Data request Result 2: Age of connections generally 0-20 years



## However, issues with data

- Capacity measures inconsistent
  - MVA & MW / installed & export capacity
- Criteria for inclusion not consistently applied across DNOs
  - Some DNOs including all CHP / microgen, parallel running etc.
- Majority of DNOs did not provide complete data regarding age of connections
- Age data inconsistent
  - may reflect date of most recently signed connection agreement / MPAN set up date rather than age of connection

## Pre-existing generators: contractual position

- Less than 15% of the sample of contracts provided by DNOs provide explicit right to use the distribution system.
- The majority of the contracts have a clause that permits the terms of contract to be varied by mutual consent, and if necessary subject to determination by Ofgem.
- A change in the charging regime of existing generators via a contractual route is possible but would involve industry time and may lead to potential determinations.
- Position with regard to - and practicalities of - generator contributions towards replacement of joint use assets unclear

# Implications for options

- Concentrate on small number of connections that make up bulk of generator capacity?
- Note age profile of connections: many in 1990s (although some data missing)
- UoS rights arising from connection agreement not strong?
- Need to consider how pre-existing generators might contribute to replacement of joint use assets

# Assessment of options 1

- Do Nothing
  - Could result in one sixth of UK generation capacity not receiving appropriate economic signals going forward
  - Would represent missed opportunity to impact positively investment decisions worth hundreds of million of pounds
  - Only an option if there are significant barriers to finding alternative solution
  - Would result in cross subsidy of pre-existing generators when joint use assets are replaced
  - Option of bilateral contractual arrangements between DNO and generator available however size of benefits available unknown
  
- Introduce GDUoS charges, no compensation
  - Undesirable as disproportionate and discriminatory if charges applied immediately

## Assessment of options 2

- Introduce GDUoS charges with compensation based upon prevailing GDUoS charge
  - Could result in over compensation for an ill defined right
  - Unclear as to how compensation calculated on this basis would fit with potentially negative GDUoS charges
  
- Introduce GDUoS charges with compensation for change in connection boundary
  - Provides an appropriate amount of compensation however the implementation could be complex
  - Could become more manageable if focus on generators  $\geq 10\text{MW}$ 
    - reduces number of connections from approx 2000 down to approx 250
    - DNO range of  $\geq 10\text{MW}$  connections is from 4 to 24 (SSE Hydro 78)

## Additional option

- Age profile of pre-existing generators means that case can be made for applying cut off date before which pre-existing generators will pay no GDUoS charges and after which they will pay full GDUoS
  - Aims to ensure that the majority of generators receive the benefits they paid for in the connection charge and then contribute to the replacement of joint use assets
  - Pre-existing generators would pay no GDUoS system charges until 2020 (for example) and would pay full GDUoS thereafter
  - Cut off date would be based on duration of distribution and generation assets to ensure efficient asset replacement decisions
  - Majority of connections less than 20 years old?
  - In period before cut off date option of bilateral contracts to affect generator behaviour still open
  - Relatively easy to implement compared to options C1 / C2 – less precise than these options

# Next steps

- Explore option C2 further: calculate value of change in connection charging boundary
  - Sample of sites  $\geq 10\text{MW}$  under option C2 – 3 per DNO area, representative of age profile of connections in that area
  - Identify issues associated with this exercise
  
- Provide additional thoughts to Ofgem