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Promoting choice and value for all gas and electricity customers

Generator Charging from 2010: DNO information on option C2 and next steps

Summary

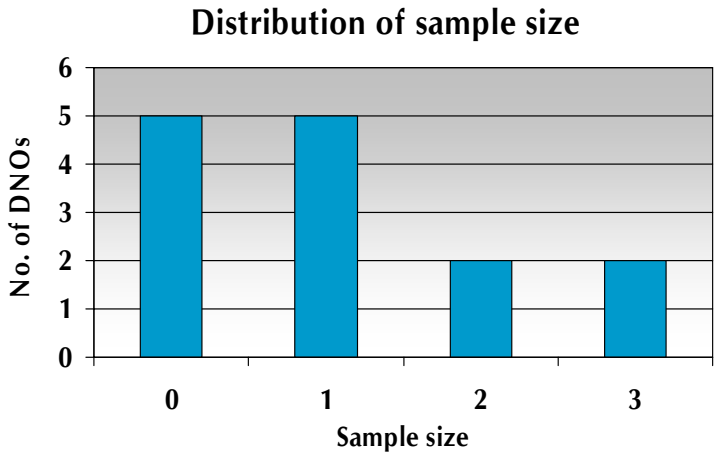
- DNOs provided information on 3 schemes per area for connections >=10MW and recalculated reinforcement costs in line with change in connection boundary (C2 option)
- Exercise highlights general reinforcement trends >=10MW
- DNOs noted various issues with exercise

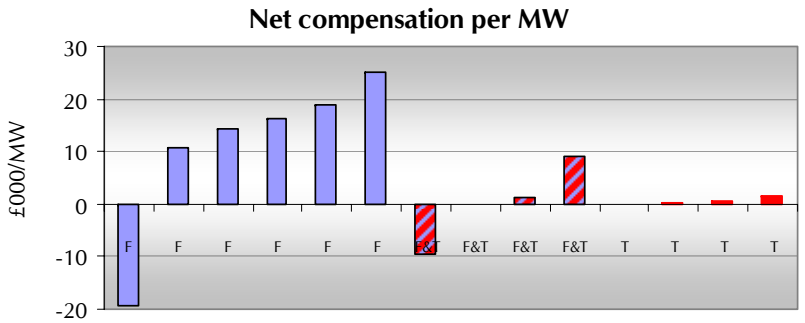
Issues with data

- Bias towards most recent connection projects
- Limited availability of historical data
- Some issues noted with:
  - MEA calculations
  - Inclusion/exclusion of O&M costs
  - Customers who accepted constraints rather than ‘deep’ charge
  - Inclusion of transmission reinforcement costs

Results

- 15 projects included reinforcement (out of a potential sample of 42)
  - 5 DNOs noted no cases of reinforcement works required
  - Negative compensation in 3 cases
- 'Compensation' range: -20£/kW to 25 £/kW
- Median age at 2010: 9 years [max: 19yr]
- Median size: 35MW [range 10 – 480MW]





Reinforcement driver: fault level (F), thermal (T) or both (F&T)

General trends

- Many DNOs stated that reinforcement is a rare occurrence:
  - A limited number of generators would receive compensation under option C2
- Of those noting reinforcement:
  - Some DNOs noted apportionment or discount was carried out at time of ‘deep’ charging regime
  - Net compensation per MW for fault level reinforcements higher than for thermal reinforcements

Options for charging

- Objective: prime driver to ensure parties see economic signals, but proportional

- To achieve this a number of options discussed:

  - Option C1: Unclear at this stage what charges will be, models not developed
  - Option C2: Historic info difficult, although few generators affected
  - Option C3: Simple backstop date, less precise, bilateral contracts still option

Options for charging

- Do we need something more targeted?
- Alternative options:
  - Option D: introduce GDUoS charge for existing generators based on a trigger, e.g. when costs are expected to be imposed.
  - Option E: introduce GDUoS charge with revenue = 0 for existing generators

Allow DG to be constrained or incur the charge

Next steps

- Views invited on way forward:
  - Wait for charging methodologies development (e.g. delay a year)… provide clearer picture but delay certainty to parties
  - Ofgem consults wider audience
  - DNOs lead development to ensure economic outcome