

Generator Distribution Use of System Charging post 2010

Generator Comments

1) Allow bilateral arrangements between DNOs and generators

- a) Non-discriminatory
 - i) Consistent with all connected generators having the contractual right of connection and access
 - ii) Does not seek to impose charges via some arbitrarily bounded system (>10MW, after 2020)
- b) Targeted and proportionate
 - i) Requires DNO only to deal with such generators as are needed (of whatever capacity); action where and when it is required
 - ii) Uses existing contractual and regulatory framework

2) Compensate generators for the value of the asset they purchased on a TIME basis (i.e. ignoring amount originally paid for connection and use of system)

a) Value it at Zero, i.e. give them no time – charge from 2010 onwards

b) Give X years from 2010 – e.g. charge from 2015 onwards

Comments apply to 2a) and 2b)

- i) Discriminatory
 - (1) Undermines contractual rights of access and use of system for which generators have already paid
 - (2) Double charging because generator had already paid all that was required of them by the regulatory framework
 - (3) Would apply to all generators regardless of when they were connected to the system
 - ii) Disproportionate
 - (1) Applies to all generators regardless of when they were connected and what they have paid; hence would lead to double-counting.
 - (2) Arbitrary choice of date
- c) Case-by-case basis, each generator begins to pay X years after commissioning date**
- i) Discriminatory
 - (1) Ignores evergreen nature of access and use of system conferred by contract under the regulatory framework
 - (2) Does not recognise any contract-specific aspects for generators
 - (a) Where there are limitations on rights, these occur after differing time periods for different generators
 - (b) Where there are limitations on rights these can occur after differing times for differing types of assets.
 - ii) Disproportionate
 - (1) Even if time-limited right is accepted, this imposes an arbitrary cut-off and hence leads to double paying.

3) Introduce GDUoS charges for existing (pre-2005 connectees) generators from 2010 onwards but adjusted so that the net income derived is zero. (The option formerly known as “E”)

a) Discriminatory

i) Suffers from all above issues for those generators who end up paying DUoS as a result of arbitrary imposition.

4) Compensate on basis of value of right on case-by-case basis (NB this ignores the amount originally paid for connection)

a) Convert the value of the right into a length of time to be rebated GDUoS (i.e. a period for which GDUoS has a net charge of zero)

b) Reimburse the generator the value of the right purchased with cash

Comments apply to 4a) and 4b)

i) In principle possible to achieve an equitable outcome, but practical difficulties of assessing the value of the right such as what period to discount over, what discount rate, how to assess changes arising from external events.

ii) Therefore this option could become an acceptable second-best to option 1 subject to the caveats above, and similarly to option 1 it is unlikely to result in legal challenge.

5) Compensate on the basis of the amount paid for the connection on case-by-case basis (NB this ignores the value of the right purchased at connection)

i) Disproportionate

(1) Generator does not own the assets; therefore the such a valuation approach has no basis in fact;

(2) Takes no account of the access right that is the only thing the generator places value on.

(3) Generator paid for an evergreen right of connection and use of system; not for specific assets. The compensation therefore bears no relationship to the value of the right of access.

6) Charging generators based on a trigger event

a) Disproportionate

i) Generator paid for an evergreen right of connection and use of system, not for specific assets; the specific value of the assets purchased is determined by DNO within the regulated charging framework. Therefore the trigger event is not relevant to the right confirmed under contract and within the regulatory framework.