

Ms Anna Kulhavy
Senior Economist
Office of Gas and Electricity Markets
9, Millbank
London
SW1P 3GE

Avonbank
Feeder Road
Bristol
BS2 0TB

Telephone 0117 9332175
Fax 0117 9332428
Email asleightholm@westernpower.co.uk

Our ref

Your ref

Date

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Dear Ms Kulhavy

Distributed Energy - Initial Proposals for More Flexible Market and Licensing Arrangements

Thank you for the opportunity to comment on the Joint Ofgem/BERR Initial Proposals relating to Distributed Energy. I am writing on behalf of Western Power Distribution (South West) plc and Western Power Distribution (South West) plc.

We have the following comments.

Chapter 2 – Raising the Class Exemption Order

We do not favour raising class exemptions (in relation to domestic customers) as a means to reduce the burden on distributed energy projects as whilst giving a short term solution, it results in a greater number of end domestic customers having reduced protection compared to those where licences apply. In addition, as the number of customers supplied on exempt networks increases, this would lead to price distortions with those on licensed networks funding the risk.

Chapter 3 – Wholesale Market Trading - Representation on BSC Panels

Option 2 - It is appropriate that there should be representation on BSC Panels for DE operators and if funding is an issue then it would appear appropriate for BERR to fund a Trade Association to facilitate this.

Chapter 4 – Selling to Third Parties

Option 1 - We agree that more players in the consolidator role would help and believe that the large licensed suppliers are in the best position to undertake this role, recognising



that further licence requirements maybe necessary to make this happen. This would also create a ready made role to act as an Agent for dealing with the purchase of transmission capacity should a gross TNUoS charging model result from the TADG work.

Chapter 5 – Operating on the Licensed Distribution Network

We agree that similar demand and generation LLFs are appropriate in most cases and that this is facilitated by the use of generic models to calculate LLFs. There will be instances where a concentration of generators in a particular part of the network will mean the output of the generators is not absorbed in the local network and therefore the use of similar LLF's for demand and generation is not appropriate. The use of methods that look at the losses that result on the network by assessing the losses with and without the demand/generation present result in distorted loss factors due to the squared relation of copper losses.

Unless sites are very close together (virtually adjacent), it is unlikely that a path through the distribution network exists that does not go through two or more stages of transformation. Hence, even if the distribution charges are set correctly, it is likely that it will be cheaper to create a private wire system compared to use of the local network.

Whilst not opposed in principle , the use of 'virtual private networks' would result in a greater proportion of 'overhead' costs being allocated to those users not on virtual private networks. Hence whilst it may be a short term solution, it becomes more of a concern as the numbers of the virtual private networks grow. Appropriate negative DUoS tariffs for DE projects would give a similar effect to virtual private networks but could be structured to give a better apportionment of the overhead costs.

We welcome input from all affected parties to the development of National Engineering Recommendations and would encourage BERR to fund users Trade Associations so that they are able to input to standards development.

I trust that the above is helpful but should you wish to discuss any aspect of this response, please do not hesitate to contact Nigel Turvey at nturvey@westernpower.co.uk or on 0117 933 2435.

Yours sincerely



ALISON SLEIGHTHOLM
Regulatory & Government Affairs Manager