ScottishPower EnergyNetworks

Distributed Energy Initial Proposals – December 2007
Response by ScottishPower EnergyNetworks

ScottishPower EnergyNetworks ('SPEN') welcomes this opportunity to comment on the issues raised in this paper.

We acknowledge the detailed work that has been carried out in developing these proposals.

Our detailed comments, in particular on the network-related options set out in chapter 5 of the paper are as follows.

Option 2 – innovative supply arrangements for DE schemes (e.g. 'virtual private networks')

We have traditionally adopted a 'net' approach to charging for use of the distribution system for customers with their own generation and the virtual private network approach is an extension of this concept. We have promoted similar proposals for use of the transmission system by distributed generation which more easily lends itself to this type of charging. However, we understand that this approach is not yet supported by Ofgem.

It is important that any changes in this area are subject to a full impact assessment.

Option 3 - proposals to trial ideas benefiting generators, networks and customers

We welcomed the introduction of Registered Power Zones as part of the DPCR4 package in 2004. One practical difficulty with these, however, is that a project- and location-specific approach is required in each case to adapt the technology concerned and develop a bespoke connection solution. At the same time, the distributor must secure the agreement of both the generator and Ofgem and meet licence timescale requirements for issuing the connection offer.

We have for a number of years applied innovative techniques to facilitate connection of renewable generation. We are working with a number of industry and academic partners to achieve technological solutions to accommodate expected growth in distributed generation.

Option 4 – development of line loss factor methodologies for DE that reflects close location of demand and generation

We would not necessarily expect generation and demand at the same site to have the same impact on distribution losses. For example, incremental

generation at a location where there is little or no load may increase network losses, while generation in a load-dominated area is more likely to have the opposite effect.

Option 5 – encourage DNOs to develop cost-reflective DUoS charges for distributed generation within 12 months

ScottishPower EnergyNetworks is a member of the "G3" group of DNOs that has working to develop a robust cost-reflective charging methodology. This has been discussed informally with Ofgem and has also been the subject of a public consultation. Whilst progress has been slower than we had hoped, this is a complex issue and we have undertaken widespread consultation with stakeholders as we have developed our ideas. We expect to formally submit modification proposals to our distribution charging methodologies within the next three months.

In developing our proposals we have sought to develop a comprehensive approach that Ofgem identified at the outset of the process. We have been concerned by Ofgem's comments on the possibility of introducing a common methodology, without any discussion on governance and implementation, which potentially may make the current DNO development work redundant.

Ofgem refer to only one DNO methodology having been approved. However, it is not clear to us that the approved methodology fully meets licence requirements. We believe that the development of charging methodologies would benefit from clearer guidance on the application of criteria for approval.

We note the comment in paragraph 5.25 that "only one DNO now offers negative charges for DE". It should be borne in mind that the "DG" price control mechanism is such that negative charges for one generator are effectively offset by charges to other generators, rather than via demand customers.

Option 6: Ofgem to monitor development and review of technical standards for connection to the distribution network

As the paper notes, the existing standards, in particular G75 and G59 are currently under review by an ENA working group. The purpose of G75 and G59 is to ensure that the connection of DG is safe, does not cause a disturbance to other network users and generally does not place undue risk or costs on the distributor (such as increased risk of damage to equipment). However, we are not aware of requirements that can be singled out as excessive barriers to a DG connection.