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Dear Ms Kulhavy

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

ENW welcomes the approach that DE growth will be encouraged within the licensed framework, rather than outside of it by increasing licence exemptions. This is the correct and proportionate approach to protect consumers and facilitate competition.

We are already acting on Ofgem's requests to implement a more cost-reflective system for network charges for all network users but especially for DE. A modification proposal was submitted to the Authority for approval on 14th May 2008, which was subsequently withdrawn at Ofgem's request. We have been working with Ofgem to refine our submission to enable Ofgem to more easily consult on our proposals. However in our engagement with low-carbon generators, ongoing charges have not been cited as a barrier or concern for the development of DE projects.

We recognise the importance of DE and DG to the future provision of energy services and the role of the distribution network, even though the rate and type of future deployment is uncertain. Our response to Ofgem's Initial Consultation on DPCR5 covers this issue in more depth. For example, development of the Innovation Funding Incentive will be key to enabling networks to address future challenges.

In relation to DE and heat, we suggest in our DPCR5 consultation response that in addition to the DNO's current role, DNOs could also provide low-cost investment in heating and cooling assets including their associated networks. This could eventually be under a licenced framework. In our stakeholder engagement, local authority respondents expressed concerns about private ownership of

heat networks without the protections of licence obligations. This raises a clear parallel with concerns over private wires.

Turning to the specific questions raised in the consultation:

We have no specific comments on DE representation on the BSC (questions 1-4), in other industry codes (question 5), on the working group for supplier services agreements (question 9) or on breakdown of DE-agent relationships (question 10).

We note that useful information for setting up a DE scheme is available in a technical guide to connection to the distribution network:

http://www.energynetworks.org/engineering/pdfs/DG/FES_00318_v040211.pdf (question 6).

This information could be incorporated in any future overall guidance.

We support the approach of amending SLC11.2 to allow DE schemes / suppliers to reduce compliance costs by making alternative arrangements for complying with licence conditions (question 7).

However for clarity, further guidance should be provided on the circumstances in which Ofgem would allow the code compliance licence conditions to be switched off (question 8). This guidance should be on an indicative rather than prescriptive basis, and be based on the criteria suggested in the consultation.

Yours sincerely

Paul Bircham
Regulation Director