

OFGEM consultation response ref 104/08
Common methodology for DNOs
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1. Should OFGEM specify the common methodology to be applied across the DNOs?

I agree that a common methodology should be applied to the DNO community, and that it should be finally approved and specified by OFGEM.

The DNOs have been working in a fragmented way for the past three years, each working hard on their own, or collaboratively with one or two other DNOs as a group. To date there has been no work done which includes all the DNOs as a single entity group, and to get an agreement across the board is likely to be very difficult and time consuming.

The Methodologies presently on the table are quite different and very complex for people not closely involved to understand, or indeed to perceive what effects any given choice would make on their businesses and plans.

This underlines the need for a clear, concise and accurate single charging methodology to be applied, and governed properly. I do not believe the timescales given presently will allow for a definitive methodology to emerge, or for the pros and cons to be understood and discussed so stakeholders can make an informed choice.

At the last DCMF meeting, it was apparent that there are already many proven flaws in all the methodologies available. To have a single methodology to work on will ease the situation, and more people will be available and employed to solve any issues with the chosen methodology.

2. The pros and cons and impacts of each model

There is a basic problem from a business (or type of business) perspective with issuing locational signals in that many businesses are tied to their location by other factors; planning, customer location, type of land available for process, process feedstock logistics etc. this will mean that a great many businesses will not have the luxury of benefitting from any form of portability based incentive.

These customers will still need to be connected, and care must be taken that any chosen methodology does not simply highlight and focus attention via these incentives on 'receptive' areas of the network whilst ignoring or punishing others which are difficult to connect, but have significant green energy producing business attracted to them for other external reasons as described previously. I feel this issue is not covered by any of the methodologies, and will be a serious barrier for those in this position.

I would also like to see a map of the UK produced with identified “good and bad” areas for connections to be produced alongside the methodology to assist with workloads for the DNOs. If this were available, you can immediately see where your installation may run into problems with connection procurement, as well as seeing where the beneficial areas are and would add considerably to the transparency of information for potential connected businesses, and possibly removing the need for a study to find out if your potential location is viable in the first instance or not.

I feel that there needs to be a clarification of the pros and cons of each methodology carried out to assist stakeholders with commenting on the merits of any single methodology, and if a single workable methodology can be assembled from parts of all of them.

At the last DCMF, I spoke to several parties who expressed concern that they had now no idea who had the better and fairest methodology, given that speakers had expressed concerns at a fundamental level with all of them, and that proving them is not at all user friendly unless you are very close to the issues on a daily basis, and are familiar with the complex calculated basis for them.

I could not make an informed decision presently on any of the methodologies being favoured over another, and significant collaboration will be required by the DNOs to produce or adopt a methodology which gives clarity and confidence to the market in its ability to enable and encourage connections.

More time is needed for such an important multi party decision to be made, and for OFGEM to deliberate on.

It would help considerably if all the variations of methodologies could be applied to a simple scenario (ie a 1MW connection at 11kv in various locations?) to illustrate realistic outcomes of the effect of the different methodologies in a format that people will be familiar with.

3. Governance arrangements.

OFGEM should oversee the governance of the methodology until it is in a condition where it is workable and is fit for purpose. It could then be decided later to hand over governance to a body like DCUSA or other body if this is accepted by stakeholders as the appropriate route and is equipped for the job.

This approach will ensure that OFGEM oversees the process and its delivery to its specification and will provide an authoritative focal point to address issues raised during the process.

4. Proposed process

As previously discussed, timescales appear to be very tight early on in the process for big and fundamental decisions and choices to be made, and I think a discussion at the next DCMF (Sept 5th) could be used to discuss, and set realistic timetables for the newly announced way forward; DNOs will already be looking at this I would think, so it may be that some of the discussions going on may have gelled into a framework for discussion by then.