

Rachel Fletcher  
Director, Distribution  
Ofgem  
9 Millbank  
London  
SW1P 3GE

[distributionpolicy@ofgem.gov.uk](mailto:distributionpolicy@ofgem.gov.uk)

By 22nd January 2009

Dear Rachel

### Next steps in delivering the electricity structure of charges project

Please find my response to your consultation on the above titled document. My views are those reflecting the connection needs of the Ener.G group of companies who have interests in Energy from Waste, Landfill, CHP and other embedded generation technologies and schemes throughout the UK and overseas; The type of Business to be encouraged in the UK, and which will perform a significant role in the meeting of government targets on climate change, waste diversion from landfill, embedded generation, local heat use, district heating, and use of alternative fuels.

I have been involved in the DCMF, presently sit with the Connection Boundary working group and have been involved in various DNO – Generator seminars and discussion groups over recent months / years and have seen first hand the amount of work which has been going on to realise the structure of charges project.

It is with a great deal of disappointment that all the work by all sides seems to be on a knife edge presently by the move to insist on a single charging methodology, and if you take individual views of the opposing sides, it is clear that there is merit in arguments for and against.

On the whole, I have to say though that the industry has been allowed to 'drift' on this subject for far too long, and the move to a single methodology should have been insisted upon much earlier; it was apparent to me in meetings 18 months ago that there would be no voluntary choosing of a satisfactory single methodology, and that the situation was flawed and almost unfathomable at times.

It is with this background that I have to say that a single methodology is important to try and give the people involved in the industry a fighting chance of understanding the implications of connection costs, use of system costs etc, without having to understand the intricacies of several. I also see it as a first step to allow broader thinking within the DNO's with regard to embedded generation and the systems future role as an active network.

Once this step to a single methodology has been taken, I think time and resource will then be available to develop the methodology to iron out any anomalies that emerge, be that unfairness on the part of either connectee, or DNO.

All the rejections from the 'blocking minority' would appear to revolve around EHV charging. Whilst I have no knowledge or dealings in the connection of schemes at EHV, because (at this point in time) we do not connect beyond 33kv, I am certain that there will be some fall out from EHV connection problems which will affect lesser voltage schemes.

If the problems are all about EHV, then I suggest a strenuous effort from and chaired by OFGEM should be made in the coming weeks to resolve this issue for the good of the progress of the project. I feel the fall out from failure here would be disappointing and in my view detrimental to the credibility of OFGEM as a regulator, and the DNO community as a whole.

There is a noticeable shift in the relationship between the various faces of the industry for the better in recent times, and this should not be allowed to deteriorate, however the track record in general of self regulation and self determination in the DNO community is poor, and with this in mind the DNO's should not be allowed to try and work this out autonomously without an authoritative chair.

The other view of this on balance but viewed through my limited knowledge, is if there are relatively few connections at EHV, is there a need for a common approach quickly, or are they almost a bespoke item in any methodology? Could each one be viewed and appraised by OFGEM as an interim?

If there is an agreement reached among the DNO's with issues that the OFGEM intention to allow the Single Methodology to 'evolve' is taken at face value, perhaps there is a route for more time to be made available to find a solution without walking away from the single methodology as a whole concept within the time constraints available.

If this matter is unresolved and needs to be referred to the Competition Commission, I wouldn't like to predict that the outcome would necessarily suit anyone. It has been hard enough for those close to the issues to try and pick a winning formula out of the wide variety available, so I would be apprehensive of people without knowledge of the technical issues surrounding this judging on it. I understand the theory of 'different and fresh pairs of eyes' looking at this, but in my view it would be a poor reflection on the industry if it cannot seek to agree and compromise where needed to achieve a streamlined, efficient and level system.

It is hard to quantify the level of cost associated with working with several different methodologies, and I have seen the REA figures attempting to put a figure on it; and I believe it to be a conservative estimate. From personal experience to illustrate this, it takes a lot of effort from me as the person actually at the 'coal face' to get my head around it, and then, once the connection is live, it usually comes back when the first use of system costs come in via accounts, then as it filters up, line managers, then directors and the board want to know details, usually coloured with such comments as "why is this dearer than X or Y" for a similar scheme. So it is a quite protracted issue even for someone reasonably close to the system.

I would dread having to deal with this if I was a new comer to the industry, 'it's a minefield' is an often ill used but very appropriate phrase here.

What do I want from this project, or as a result of the first step taken with this project completion? Perhaps this will answer the questions Ofgem have posed, and act as a reminder for those parties involved for the need to get a move on and get down to business rather than simply debating how to go about it.

1. A fair price for the work required. i.e. cost reflective and fair.
2. A transparent and clearly explained arrival at the connection cost, and use of system charge, delivered together to the applicant; they are linked and important costs for a customer.
3. Give me the above on time.
4. A clear and simple methodology common across the board, understood by DNO and customers alike.
5. DNO given the scope to develop the network where a customer need is identified, regardless of the locational signals which are designed to encourage connections in more convenient areas (and in reality of no use to most businesses) How many times does a connection get diverted from an area, or priced out of viability because the area is 'fine as it is' and therefore the status quo continues. A generator is a customer need in that area, therefore the network is no longer 'fine as it is'. Non development of areas of the network like this is simply storing up a bigger problem for the future.
6. DNO allowed to take the connection point from a generator to a beneficial or needy area where it is cost effective and practicable to do so. This could mean the generator is in effect become 'virtually portable' by cabling or switching?
7. Faster acceptance of new technologies which will be beneficial both to the network, and commercially to either party.
8. Increased and continued inclusive dialogue within the industry to maintain relationships and to allow information to be shared on relevant topics.
9. Some works on the network will inevitably need to be socialised across the general bill paying population in the cause of a greener less fossil fuelled power supply.

I am sorry this response is not in line with the specific question format required, but I felt that I could not fully give my thoughts on the topic without simply writing them freely. As usual, I am open to any contact to discuss the issues if required.

It is highly likely that if this issue is unresolved, and the matter goes the next step to the Competition Commission, my involvement will need to be much reduced or even ended, other than picking out relevant discussion papers to comment on, which would be disappointing.

The fact is that the DNO network have dedicated personnel looking at this, whereas other than via trade associations, it is unlikely that individual companies in the generator field will be in a position to have available resources to attend these meetings to the level and frequency I have been allowed to by our forward thinking company.

Please contact me for any clarifications if you require them.

Yours Sincerely,  
Alan Guiver,  
ENERGOS Ltd  
Part of the Ener.G group.