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Dear Rachel

### **Distribution Structure of Charges Project: Next Steps and the Competition Commission**

Many thanks for the opportunity to respond to this important consultation on the Distribution Structure of Charges Project.

Scottish Renewables is the renewable energy trade association for Scotland and supports the interests of nearly 250 members many of which are working in the renewable electricity sector. You can find out more about Scottish Renewables by visiting our website at [www.scottishrenewables.com](http://www.scottishrenewables.com).

The latest Ofgem paper asks respondents to consider the best way forward to establish a common model of use of system charges for Extra High Voltage (EHV) connected distributed generation and whether it is now appropriate to take the matter to the Competition Commission (CC).

It is important to note that Scottish Renewables' estimates that a majority of new distributed renewable generation will connect at EHV and so this charges project is a major issue for much of the renewables industry in Scotland.

Therefore we would ask that Ofgem considers the following points:

- Whilst Ofgem has sought innovation from DNOs on distribution charging methodologies since 2000 it is only since 2008 that Ofgem has considered and promoted a common approach across DNOs and sought industry views. The current work on High Voltage (HV) and Low Voltage (LV) charging is continuing apace and shows that DNOs can work together. We also know that the DNOs have started work on a common approach to EHV charges but have put this on hold because of the possibility of Ofgem taking the issue to the CC.
- With possible changes to code governance and the opportunity to amend charging methodologies, consensus now may lead to more certainty after implementation. Conversely any CC decision, assuming industry being able to modify models, can be challenged by industry players post CC decision and post implementation leading to greater uncertainty.



Therefore a decision to delay referral to the CC would be both practical and logical and Ofgem should ask itself whether enough time has been given to DNOs to identify, and seek approval for, a common approach.

There are other reasons for not referring the case to the CC:

- The CC will look at everything in relation to this issue and may conclude that other matters, where there is consensus, such as agreement on the principle of a common method, are in fact inappropriate. Therefore referral to the CC may be viewed as a high risk strategy.
- In addition I am led to believe that the effort required by DNOs to participate in a CC inquiry is significant and there is the risk that it will draw resources away from other important initiatives.

Scottish Renewables would also like to take this opportunity to emphasise its support for the principle of a common approach on distribution charges across DNOs and that any outcome on a method must lead to prices that are proportionate to cost, stable and predictable.

That is why we support the Forward Cost Pricing Model over the Long Run Incremental Cost and its variant Incremental Cost Related Pricing.

We would like to close by underlining the need for a quick decision from Ofgem. If it agrees with the Scottish Renewables' conclusions then it needs to give the DNO's sufficient time to deliver an agreed methodology. If after that Ofgem is still not satisfied it retains the option to refer this issue to the CC.

Needless to say if you would benefit from clarification on any of the points made above then please do not hesitate to contact me here at Scottish Renewables.

Yours sincerely

**Jason Ormiston**  
Chief Executive  
Scottish Renewables