



To all DNOs

*Promoting choice and
value for all customers*

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Date: 30 March 2009

Dear Sir/Madam

Derogations to facilitate earlier connection of generation – proposed interim approach: implications for distributed generation

We have become increasingly aware that substantial quantities of proposed renewable generation located behind non-compliant transmission boundaries, particularly in Scotland, is unable to connect to the distribution system and therefore is potentially being prevented from delivering benefits in terms of reductions in carbon emissions.

On 19 March 2009, we published an open letter seeking views on an interim approach we are minded to take to derogations to facilitate earlier connection of distributed and other generation¹. The closing date for submissions in response to the consultation is 16 April 2009. My current letter is aimed at clarifying the intent of our 19 March 2009 letter, especially with respect to distributed generation.

The approach we suggest in the open letter is aimed at ensuring that access to the transmission and distribution systems does not result in undue discrimination. The approach will also facilitate the earlier connection of generation.

Our letter indicated that National Grid Electricity Transmission plc ('NGET'), together with SP Transmission Limited and Scottish Hydro-Electric Transmission Limited, have identified scope to advance the connection dates of 450MW of renewable generation seeking connection to both the transmission and distribution systems in Scotland. This includes both small and large renewable generation. We are therefore minded to require that NGET should advance generators' connection dates where these are delayed by the need to complete reinforcement to the wider transmission system (as distinct from delays due to local works being incomplete, or where there is no physical connection to the contiguous GB transmission system). This principle should be applied to all current and proponents including those of smaller distributed generation.

I am writing to you to draw your attention to this consultation and confirm that, for the avoidance of doubt, we expect that, depending on the outcomes of the consultation, DNOs

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<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=122&refer=Networks/Trans/ElecTransPolicy/tar>

will also facilitate on a non-discriminatory basis the early connection of generation to their distribution systems, including where such connection may potentially increase transmission constraints.

Notwithstanding our minded to this position, DNOs will need to continue to advise NGET, in line with their Connection and Use of System Code obligations, of any connection applications by distributed generation which may have transmission system constraints implications.

The extension of the principle of over-selling transmission capacity to distributed generation located behind constraint boundaries is likely to lead to increases of the constraint costs on the system. This may bring into sharper focus the impact that distributed generation is having on constraint costs.

As indicated in our open letter last week, NGET has submitted a charging modification which proposes the introduction of a locational element to the Balancing Services Use of System charges. This aims to target more effectively the costs of resolving constraints onto the generators, behind constrained boundaries, who trigger constraint actions. We recommend that you engage fully with this consultation and potential further developments in this area. We also recommend that you consider the potential implications of these developments when establishing your own contractual arrangements with distributed generation.

If you have any questions please do not hesitate to contact Dora Guzeleva, Senior Manager Distribution Policy and Commercial Regulation on 020 7901 7451.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Rachel Fletcher', is positioned above the printed name.

Rachel Fletcher
Director, Distribution