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Electricity Distribution  
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By 5th June 2009

Dear Rachel

## **Electricity Distribution Price Control Review – methodology and initial results consultation**

The REA, having responded to the policy consultation earlier this year and attended two Ofgem workshops associated with the review, remains fully engaged with the process and looks forward to commenting on the initial proposals in July. As you are aware our members work on all types of renewable power and heat projects and we have long held the view that a well constructed price control mechanism is key to allowing DNOs to facilitate and indeed attract renewable and other generation to connect to their networks and thus in general reduce the distance that this generation is from demand with consequent additional savings in losses and hence carbon emissions.

Having said that, at this stage we have little to add to the comments we made earlier this year. We agree with you that there is an extremely wide range of uncertainty as to the volume of distributed generation that will connect over the next price control period, its type and the average connection cost per MW connected. This implies that there should be a large element of pass through for the reinforcement costs associated with distributed generation. We of course continue to support in addition to this pass through an incentive payment to DNOs for connecting generation that is sufficiently material to encourage them to be proactive in encouraging the growth of environmentally friendly schemes.

We also support your proposals to encourage DNOs get the same reward for investing in their own hardware and contracting with other parties, whether generators or demand managers so as to reduce the need to invest in hardware.

Please let me know if you would like to discuss any of these comments further.

Yours sincerely,

Gaynor Hartnell, Director of Policy, REA.