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Dear Nicolas,

### **EHV Pre-April 2005 DG: bundled v unbundled compensation**

SSE notes the latest consultation on use of system charges for pre-April 2005 Distributed Generation (DG) and the request for views (by 18 August 2010) on how any potential compensation should be paid to Extra High Voltage (EHV) pre-April 2005 DG.

Our interim EHV modification proposal (withdrawn at Ofgem's request) suggested that any compensation for capitalised operation and maintenance (O&M) charges should be bundled with ongoing use of system (UoS) charges, i.e. UoS charges could be reduced by an agreed percentage for a period of time to compensate for the upfront payment of capitalised O&M charges. Our reason for suggesting a bundled approach for O&M charges was that certain of our pre-April 2005 DG customers clearly connected under a regime where such charges would have been made, but for some of this DG the records of the capitalised O&M payments may no longer be available. We consider it necessary that such DG is not disadvantaged. For the interim modification we did not address the issue of how to (or if we should) compensate EHV pre-April 2005 DG for deep reinforcement costs.

For the enduring solution, for both deep reinforcement costs and capitalised O&M, we understand that Ofgem's preference is for an unbundled approach. However, as both of these cost items were, arguably, the equivalent of today's use of system charging methodology, then the option to bundle compensation into the charging methodology is both appropriate and legitimate. We believe that this provides a pragmatic and straightforward solution, i.e. where compensation is found to be due to a generator then its use of system can be either discounted or exempted for a specified period of time.



If you have any questions on any aspect of this response please do not hesitate to contact me.

Yours sincerely,

Malcolm J. Burns  
**Regulation Manager**