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## **Charges for pre-2005 Distributed Generators use of DNOs' Distribution Systems**

Thank you for the opportunity to comment on this consultation

Statkraft is a new entrant to the GB energy markets. We are developing a number of generation sites, and have two operating facilities at Rheidol (a 50MW hydro station in North Wales) and at Alltwalis (a 23MW wind farm in South Wales). We are also a supplier licence and are currently going through market entry.

This response addresses and questions the principle behind the proposed changes. It is to both parts of the consultation and covers the issues raised in chapters 2-4. We do not offer any comments on the detailed questions posed by Ofgem.

We can see no justification for the changes sought by Ofgem's proposals, and consider that the regulator should reintroduce the pre-2005 exemption or establish some form of grandfathering principle for pre-2005 generators enforced through the DNOs' charging methodologies. In our view the current arrangements as applied by the DNOs at EHV do not unduly discriminate as the rules in question were fairly and consistently applied in the past and applied to all generators at the time.

The detail of how the proposed revised charging arrangements—GDUoS plus bundled/unbundled compensation charge)—might apply to all generators connecting prior to 2005 has not been properly defined or assessed, and there are no change proposals from the distributors in front of the industry to guide our assessment. Indeed there seems to be considerable scope, for introducing discriminatory outcomes and unintended consequences into the distribution charging arrangements because of the as yet unquantified distributional effects that would arise.

We would also point out:

- pre-2005 connected parties entered into appropriate and legitimate arrangements for system use with distributors at the time
- many like us would prefer no disturbance to the current arrangements even where compensation might be involved as it simply introduces unnecessary complexity and the scope for dispute with the distributor
- Ofgem has not carried out any analysis to determine the scale of the alleged defect and what benefits might arise in tackling it

- consequently it is impossible based on the information presented to date to assess how the proposal might impact us
- in our case the Rheidol connection arrangements were struck many years ago, and the local distributor will have long ago paid off the investment necessary to accommodate us on the system
- we purchased the facility subsequently under an established set of rules, which showed no GDUoS charge history
- once the need to compensate is taken into account, the exercise as a whole is disproportionate to any defect given the dwindling number of pre-2005 connected distributed generators
- this of itself provides objective justification for different treatment of Rheidol and other pre-2005 connected generators.

Taken in the round this initiative represents a text-book example of unnecessary regulatory intervention, disrupting commercial arrangements that are working perfectly well and introducing unnecessary risk.

If Ofgem insists on intervention, generators and their counter-party distributors should be permitted to honour the provisions of their bilateral agreements. Any GDUoS charge should be elective, at the generator's call, with the generator opting to transfer to the proposed methodology. In the event a generator exercises this option, it would not be able to return the previous arrangement under the contract should charges change in the future.

Please let me know if you have any queries on this response and if you would like further comment.