

Nicholas Rubin  
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Office of Gas and Electricity Markets  
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1 September 2010

Dear Nicholas,

**Consultation on Charges for pre-2005 Generators' use of DNOs' distribution systems (Ref: 88/10)**

Thank you for the opportunity to respond to this Consultation Document. This response is submitted on behalf of ScottishPower Energy Management Ltd, ScottishPower Generation Ltd and ScottishPower Renewable Energy Ltd.

ScottishPower believes that generators connected pre-2005 who begin to pay charges should be entitled to compensation and that the payment of such compensation should be unbundled from the distribution charging methodology. Separation of the charging and compensation methodologies retains clarity for those connected post 2005.

The value of compensation should be such as to hold the pre-2005 generator whole; i.e. compensation should cover the full cost of the charges which would have been applied when they became liable to charging.

Generators connected pre-2005 are party to binding bilaterally agreed contracts with the associated Distribution Network operator (DNO) and should be permitted and not discouraged from complying with such agreements. Unless the generator freely agrees to transfer to arrangements under the new charging methodology then it should be allowed to maintain its existing terms. Should the generator decide to transfer, then we accept that this should be an irreversible (one-way) move.

Examination of the existing bilateral contract should enable the appropriate period of compensation due to the pre-2005 generator to be determined. Where a termination date is stipulated in the contract then this should set the compensation period. If a termination date is not specified then the compensation period should run to the later of

- a) The typical life of the distribution assets provided by the DNO or
- b) The expected life of the generation assets.

We would be content for a confidential register of compensation arrangements and periods to be maintained by an independent body e.g. the Energy Networks Association and for such a register to be open to scrutiny by Ofgem to ensure that embedded generators are treated consistently and appropriately.

I hope you find these comments useful. Should you have any queries on the points raised, please feel free to contact us.

Yours sincerely,

**James Anderson**  
Commercial and Regulation Manager