

29th November 2010

Anthony Mungall
OFGEM
107 West Regent Street
Glasgow
G2 2BA

anthony.mungall@ofgem.gov.uk

Dear Anthony

Discount for small transmission connected generators from 31st March 2011

The Renewable Energy Association gives below its response to this consultation. As you know our members work on all types of renewable power and heat projects including many electricity generation projects of below 100MW connected to both distribution and transmission networks.

Our view is that the issue arises from the decision to designate 132kv as transmission in Scotland as well as offshore whilst retaining it as distribution onshore in England and Wales. We feel strongly as you are aware that transmission charges should only be levied in respect of flows on transmission systems as it is those flows that give rise to transmission system costs. To do otherwise would not be cost reflective as well as impossible to implement consistently. Transmission charges should not be levied in respect of distribution connected generator outputs that are netted off by demand on the same distribution system. We feel therefore that at least the netting off aspect of the current arrangements are cost reflective and fully satisfactory in respect of facilitating competition and all the other relevant objectives of transmission charging.

We will not argue this point further here as further detail was given in a joint letter with others to Ofgem at the beginning of October as part of the Project TransmiT activity.

In terms of the discount on transmission charges currently given to 132kv transmission connected generators under 100MW we feel that given that there is

an overall review of transmission charging in progress it would probably be best to maintain the status quo until the outcome of Project TransmiT is known. We think that the “best endeavours” obligation on NGC should be allowed to lapse. NGC is under a continuous duty to keep its charging methodology under review and to the extent that any part of that methodology is not satisfactory in respect of the applicable objectives it is under a duty to drive improvements in the methodology. It is not clear therefore why there is any need to single out a particular part of the methodology as requiring “best endeavours” to address. Does this imply that “best endeavours” are not needed to deal with any other area of the transmission charging methodology that is in need of improvement?

Summarising in terms of the questions that you have asked specifically:

- We agree with your proposal to extend the expiry date of the small generator discount to 31st March 2013
- We agree with your approach of giving effect to this. In particular we are content that you have the power to set the value to zero if in the future the discount ceases to be appropriate
- We do not think it appropriate to maintain and extend the “best endeavours” condition on NGC i.e. it should be removed.

We hope that you find these comments useful. Please let me know if you would like to discuss them further.

Yours sincerely

Gaynor Hartnell

Chief Executive, Renewable Energy Association