

Anthony Mungall
Ofgem
9 Millbank
London
SW1P 3GE

Reference Number: 130/10
Email: anthony.mungall@ofgem.gov.uk

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Consultation on the discount for small transmission connected generators from 31 March 2011

Anthony,

SmartestEnergy welcomes the opportunity to respond to Ofgem's Consultation on the discount for small transmission connected generators from 31 March 2011.

SmartestEnergy is generally supportive of the proposal to extend the Small Generator Discount but we believe that the advent of SmartGrids and the opportunity to introduce more sophisticated charging across both transmission and distribution networks means that current arrangements should continue until this new world has been, or is close to being, realised. Ofgem should recognise this now rather than be seen to be continually deferring the issue of the Small Generator Discount every other year.

We note the plan that Project: TransmiT will report in the summer next year but it is likely that the initiatives which result from it may take many years to implement.

An enduring charging arrangement which deals with the issues of Scottish renewables connected to the transmission network AND embedded benefits generally is not something that NGT alone can resolve; distribution companies and SmartGrids will be a large part of the equation. We, therefore, do not agree with the assertion that NGET have a "unique role and ability to drive process and the timely development of an appropriate solution in this area." We believe it is most appropriate to remove entirely the "best endeavours" obligation on NGET.

We note that Ofgem have previously set out the view that, amongst other things, there is a need to review the current transmission charging arrangements to ensure that they reflect the costs imposed on the transmission network and give appropriate credit for benefits provided, taking into account the impact of DG on such costs. In our view, the current arrangements for TNUoS and TLM are somewhat simple but effective; embedded generation receives a benefit equal to the charges on the transmission network but the embedded demand pays the charges thus creating a net zero effect which reflects the fact that the transmission network has not been used. There are also

arrangements in place to deal with the eventuality that a GSP may suddenly be a net exporter; the embedded benefit reverses.

In the longer term a more sophisticated method will be achievable but this will involve SmartGrids and is not necessary until there is significantly more embedded generation.

Indeed, given the amount of time it will take for the level of embedded generation to change significantly and given the planning required for sophisticated and accurate charging structures to be put in place to reflect SmartGrids, we believe that the current arrangements, including the Small Generator Discount, should stay in place for the next 10 years or until the next review of the Transmission Arrangements.

Should you require further clarification on this matter, please do not hesitate to contact me.

Yours sincerely,

Colin Prestwich
Deputy VP Retail
SmartestEnergy Limited.

T: 020 7195 1007
M: 07764 949374