



*Promoting choice and value for
all gas and electricity customers*

Direct Dial: 020 7901 1866
Email: stacy.feldmann@ofgem.gov.uk

Date: 26 October 2011

Dear Colleagues

Re: Ofgem's Distributed Generation (DG) Forum 2011.

Over recent years we have witnessed a dramatic growth in the number of Distributed Generators seeking to connect to the distribution network. Accompanying this surge in volume of connections have been concerns that customers are encountering a number of difficulties in navigating their way through the connection process.

In May¹ we issued an open letter asking for views on the experience of getting DG connected to the distribution network. Subsequent to receiving responses to this open letter, we held a series of fora to explore the issues raised², with stakeholders.

The DG fora were held in London (28th September), Glasgow (30th September) and Cardiff (6th October) and were attended by a broad range of stakeholders including customer groups, regional and national government, developers, installers and community housing associations.

The events began with a series of high level presentations on the following topics:

- Ofgem's presentation on the regulatory landscape for distributed generation
- Distribution Network Operators' presentation on the process for and challenges in getting connected
- National Grid's presentation on transmission related issues

In addition, we invited the following members of the DG community to give an overview of their experiences in getting connected.

- Country and Land Association and RWE Npower Renewables presented in London and Cardiff
- Community Energy Scotland and West Coast Energy presented in Glasgow

In the afternoon, we held a series of breakout sessions to provide an opportunity for more specific topics to be discussed in detail. These topics were as follows:

- Application process
- Micro-generation issues

¹http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistGen/Documents1/DG%20Forum%20Open%20Letter_Ma y.pdf

²http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistGen/Documents1/high%20level%20summary%20of%20 DG%20Forum_published.pdf

- Transmissions issues
- Costs and charging
- G59 greater than 50kW

All of the listed presentations and slides for the breakout sessions are now available on our website listed as associated documents to this letter.

A wide range of issues were raised at these events, however some key themes emerged that we believe are key to ensuring the delivery of a connections service in line with customer requirements. These are:

- DNOs need to ensure that they provide customers with the necessary information (technical, cost-related) in a user-friendly format and the appropriate point in the connections process.
- Customers are looking for more information on the network impact associated with different types of generator, to be made available.
- There needs to be greater transparency of cost information so that customers can feel confident they understand and can challenge costs.
- There is still confusion over the application of different technical standards (G59 vs. G83 Stage 1 vs. G83 Stage 2) as well as an earlier indication to customers of when transmission works are likely to be required.
- Customers find it frustrating and confusing where DNOs adopt different approaches to the application process and other aspects of the connections process such as application of charges, the offering of payment schedules and the requirement for securities.
- The need for more investment in the network to avoid customer connection incurring cost and delay associated with network reinforcement
- Underpinning the above, stakeholders want better and more frequent engagement with the DNOs. They want the service they receive to be sufficiently flexible to match their knowledge and help guide them through the connections process.

An appendix to this note provides more detail on the key themes emerging from the sessions.

All of the DNOs were represented at the events and they have heard for themselves the views of customers on the above. We believe that the DNOs are ideally placed to respond to these issues and we will write to the CEOs of each DNO asking for their plan to take these matters forward.

For our part, we are considering the policy implications of the issues raised. Of most immediate note was the call, from some, for greater assistance to customers to share the burden of the cost of getting connected. This is a complex issue with many implications for all customers – not just those receiving a connection – and for the efficient development of the distribution networks. Before determining our policy direction we would like to convene a meeting of interested parties to explore further the rationale for our current policy and the implications of changes to the current arrangements. We will be issuing an invitation shortly to convene this session.

Yours Sincerely

James Veaney
Head of Distribution Policy

Appendix 1: Key themes emerging from the events

| | |
|-----------------------|--|
| Access to information | A need for the DNOs to share information on network capacities earlier in the process. If customers had a better understanding of the network capacity that is available they may be able to tailor their application to avoid the need for costly reinforcement. |
| | DNOs could also make more information readily available to support the application process, ie. providing information on the potential network impact associated with different generator models |
| | There is a need to consider expanding the existing DG information guide to take account of some of the information concerns raised at the events. For instance, any differences in cost, reinforcement etc based on technical specifications or energy source, a clear outline of the generic stages of the application process and more network information, e.g. separate section on greater than 50kW. |
| Application process | The volume of applications is an issue and there are issues associated with expertise and volume of resources available to process applications. |
| | A common, visible, transparent application process is needed with the possibility for pre-application consultation. |
| | There needs to be agreement and discussion relating to the stages at which specific information is needed. If stakeholders had better knowledge of the information needed at each stage of the process and DNOs could consider when in the stage this information is necessary (or if it is necessary at all) this could create develop clear expectations and also take account of the level of information available to stakeholders at each stage of the process. |
| Transparency of costs | Stakeholders felt that they could never be in control of their project without knowing the costs of the line items in the quotations which would also allow them to compare as well as keep account of any changes. In addition, it was suggested that budget estimates could be more detailed and useful. |
| | The cost information issued by DNOs needs to provide sufficiently detailed information to allow customers to understand, and if necessary challenge, the costs for connection. There needs to be greater awareness of competitive alternatives to the DNOs and networks need to consider how extending contestability (self determination of point of connection) could reduce the resource impact. This cost information should include consideration of possible additional charges that customers could face. |
| | Some customers felt that charging customers for the cost of their connection, unfairly discriminated on the basis of geographic proximity to the existing network. They looked for costs to be shared by all users of the network. |
| Technical issues | It was noted that DNOs had difficulties in getting technical specifications about the generation equipment from customers. Stakeholders highlighted that this information was difficult to obtain from manufacturers and that in some cases, the model finally chosen would depend on how much capacity they could connect at any particular point. It was suggested that these issues could in part be resolved if a central database of detailed technical specifications from manufacturers, including type testing could be developed by the DNOs. |
| | It was found that greater clarification is required to assist customers in understanding differences between the |

| | |
|--------------------------------|--|
| | G83-stage one (single application) and G-83-stage two (multiple application) process. Housing associations complained that their applications were treated as the latter whilst developers could make separate and single applications for households in the same area and be treated differently. |
| Customer service/DNO behaviour | Customers look to the DNOs to provide greater flexibility in matching the type of service and information provided and information required to reflect the scale of the connection and the customers' technical knowledge connections to the network |
| | DNOs across the country need to develop a more consistent approach to offers, charges, payment schedules and requirement for securities |
| | The networks are facing a considerable challenge to respond to the dramatic growth in connection requests. Customers expressed concern that they may not have sufficient resource, or sufficiently skilled resource, to cope. |
| | Customers look to DNOs to provide expert advice and guidance and suggested that pre-application consultation should be something included within the process to assist with transparency, engagement and learning. |
| | It was suggested that the appointment of dedicated application advisers or key contacts to guide customers through the process as well as the publication of these people process could assist customers in speaking to the appropriate people and getting early response. |
| Network/transmission issues | The networks need to consider how to efficiently develop their network. Consideration should be given for the need for strategic reinforcement in areas where is generation is likely/optimal. Ultimately, Ofgem will need to approve the feasibility of any investment. The challenge is on network owners to provide detailed business cases for any speculative investment that could assist and facilitate the growth of DG or other future connections. |
| Stakeholder engagement | The lead has been taken by Ofgem to facilitate these forums, the challenge is to continue the dialogue. Customers were very eager to know the outcomes of this forum and many asked for specific training sessions for their members who could not attend as well as on-going surgeries and engagement. |
| | Ofgem took away from this that we have now developed a valuable DG community contact list and there is an impetus on us to maintain engagement with the DG community regarding policy development and regulatory arrangements. |