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DUoS charges: a time limited exemption for pre-2005 generators

DONG Energy is a leading energy company operating in Northern Europe and headquartered in Denmark. It is heavily one of the most active offshore wind operators and investors in the United Kingdom with a total pipeline capacity of 2.8GW, of which around 220 MW connected at the distribution level in three DNO areas. Last year DONG Power UK has completed a new CCGT gas fired power station of 824MW output at Severn in South Wales.

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We welcome this consultation on providing exemptions from use of system (UoS) charges for pre-2005 connected generators, and the recognition that such an exemption could have an impact on the charges of post-2005 connected generators. We have responded separately to the consultation on this matter.

Question 1.1

We agree with Ofgem's proposals that eligible EDCM generators should continue to be exempt from UoS charges, unless they choose to be included.

Question 2.1

We agree with the proposal to set the time-limit on an ex ante basis. This option is transparent, provides certainty to generators, and minimises the risk for disputes.

Question 2.2

We support Ofgem's proposal to introduce the exemption from the time of connection of the generation assets. This would ensure that new and old pre-2005 generators are given the same duration of exemption from UoS charges. It would also only minimise the administrative burden of establishing the exemption date (assuming that a generator's connection agreement would be sufficient evidence).

Question 2.5

We believe that the proposed 20-year limit is an appropriate length for the exemption as it provides an appropriate balance between the interests of pre-2005 generators and other users of the distribution network.

Question 2.6

If a pre-2005 generator did not pay an upfront capitalised O&M charge we believe that it is appropriate for the DNOs to charge for this separately. As we understand Ofgem's proposals, the exemption is meant to cover pre-2005 generators for charges already paid at the time of connection. If a cost has not been incurred upfront, it should not be included in the exemption.

Question 3.1&2

We agree that the proposals for implementation are appropriate. The proposed process is clear, although it would be useful for Ofgem to provide indications of the timings involved in the process, including a deadline by which the DNOs will have to make contact with the relevant generators. This is to ensure that generators have sufficient time to gather any evidence required to establish their status.

Question 3.3

The approach for dispute resolution proposed by Ofgem is appropriate.

Question 3.4

The connection date, verifiable from the connection agreement, seems to be the most appropriate definition of connection.

Question 3.5

We agree with Ofgem that if a pre-2005 customer has paid upfront charges for generation assets to use the network, it should be eligible for the exemption from generation charges, even if the site predominantly serves demand customers.

Question 3.6

In order to avoid mid-year changes to charges, we agree that it is appropriate to introduce UoS charges for generators from the beginning of the charging year after the date on which the exemption ends.

Yours sincerely



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