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Guy Donald  
Distribution Policy  
Ofgem  
By email: [distributionpolicy@ofgem.gov.uk](mailto:distributionpolicy@ofgem.gov.uk)

06 December 2011


Dear Guy,

**Re: Electricity North West Response to Ofgem Consultation on a time limited exemption for pre-2005 Distributed Generation.**

We have reviewed the consultation on a time limited exemption for pre-2005 Distributed Generation and have provided our response to the questions in the appendix alongside this letter.

I would be happy to discuss any of our responses in more detail if necessary.

Yours sincerely

A handwritten signature in blue ink that reads "Tony McEntee".

Tony McEntee  
Head of Commercial Policy  
Electricity North West

## **Appendix 1 – Responses to time limited exemption for pre-2005 Distributed Generation Consultation Questions**

**Question 1.1:** *Do you agree with our proposal that by default eligible CDCM generators should continue to be charged for UoS and that eligible EDCM generators should continue be exempt from charges, unless either party chooses otherwise?*

Yes, we agree with the proposed default position as set out in the consultation document.

**Question 2.1:** *Do you agree that a time-limited exemption should be set on an ex ante basis?*

We agree that the time-limited exemption should be set on an ex ante basis. A ex post approach would be difficult to monitor and could lead to disputes regarding the definition of asset replacement.

**Question 2.2:** *Should an exemption be calculated from the date of a pre-2005 DG's connection, rather than some other date, such as from the date at which EDCM DG charges are introduced? Why?*

The exemption should be calculated from the date of a pre-2005 DG's connection. This is the date when deep reinforcement costs and any capitalised operations and maintenance were paid. DG are entitled to an exemption on the back of the upfront costs they paid so the start date of the exemption should be from this date. The connection date is the best proxy for this.

**Question 2.3:** *Do you agree with our assessment of the options for determining the time limit for an exemption? Are there additional points of analysis we should bear in mind?*

We agree with the assessment of the options for the time limit for an exemption

**Question 2.4:** *Are there better alternative options to those which we set out in this chapter and what would be their rationale?*

We believe that the consultation considers all the appropriate options.

**Question 2.5:** *Do you agree with our initial thinking that a 20 year limit is appropriate? If not, what might be a more reasonable period of time that balances the interests of pre-2005 DGs and the DNOs “ other customers? Please explain the reasoning behind your answer and provide any associated evidence.*

We agree that a 20 year time limit for the exemption is an appropriate period to apply to pre-2005 DG.

**Question 2.6:** *We note that rather than pay a capitalised payment for O&M, some DG customers pay an annual charge for O&M. Where such a DG is eligible for an exemption, should they continue to pay their annual O&M charge?*

Any DG that gets an exemption for Use of System should continue to pay the annual O&M charge until the exemption expires.

**Question 3.1:** *In general are our proposals for implementing the refund arrangements considered by this consultation appropriate? Is the level of detail we have provided sufficient to make our proposals clear and workable? Please outline any areas where you think more clarity/detail is required and set out your suggestions for what might fill these gaps.*

The proposals set out in the consultation for implementing the exemption is provided in sufficient detail and clarity.

**Question 3.2:** *Is our approach to due process appropriate? Are there additional or alternative steps that should be incorporated? What is a reasonable period of time in which to complete the due process we propose?*

We agree with the approach to due process

**Question 3.3:** *Do you agree with our proposals for dispute resolution where DNOs and DGs cannot reach a settlement by 1 April 2012?*

We agree with the proposals for dispute resolution.

**Question 3.4:** *Do you agree that the connection date should be the date from which the exemption is calculated, with the energisation date used if the connection date is not available? Or, would it be more straightforward simply to use the energisation date for all eligible DGs?*

The connection date within the connection agreement is the date that should be used to determine the start date of the exemption. The connection date is set down within an agreed contract and should be available for the majority of sites. The energisation date is less likely to be known and more open to dispute. However, it should be used as proxy for the connection date if this is not available.

**Question 3.5:** *Similarly, should a pre-2005 customer with a mix of demand and generation requirements be eligible for an exemption from UoS charges?*

The exemption should only apply to sites where the predominance at the time of connection was generation. Any sites that were predominantly demand when connected or connected some small export capability at a later date would not have paid any upfront costs in respect of the generation. The payment of the up-front costs is the justification for providing a time limited exemption and therefore these sites should not be eligible for the exemption.

**Question 3.6:** *Do you agree with our proposal that the introduction of UoS charges should happen from the beginning of the next charging year after the date on which an exemption ends?*

We agree that the introduction of UoS charges should happen from the beginning of the next charging year after the date on which an exemption ends.