

5 December 2011

Mr Gus Donald
Ofgem
9 Millbank
London
SW1P 3GE

Dear Mr Donald

Distribution use of system charging: a time-limited exemption for pre-2005 generators

This letter is in response to your consultation ref 135/11 published on 21 Oct 2011. Falck Renewables Wind Limited currently owns four operational "pre-2005 distributed generators" (Boyndie, Ben Aketil, Cefn Croes and Earlsburn windfarms), connected to the 33 or 132kV distribution networks, which together have a total capacity of 140MW. In addition we have a large portfolio of wind projects in development which we hope will get consented and subsequently connected to the EHV distribution network.

We responded to the previous consultation on charging for pre-2005 generators and we are pleased to note that the strong responses from affected embedded generators have been accommodated and reflected in what we view as a much fairer revised proposal. Falck Renewables is please to offer the following responses to the questions raised in your consultation:

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

Our projects are either EDCM or transmission connected. We believe that it is right that pre-2005 EDCM connections should be exempt from UoS charges and can't comment on CDCM charges.

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

Yes as it provides some cost certainty to generators.

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?

Yes we believe that an exemption should apply from the time that a generator was connected.

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 note that you have assessed four different options for determining the time limit for an exemption, all of which have some merit. However, we believe that generators who connected to the Distribution Network pre 2005 and paid deep connection charges, paid those in the knowledge that the access and connection would be available for the life of the project. Based on the content of Table 2.3 and our own view of wind farm life we would suggest that a 25 year exemption period would be appropriate. It could also be argued that the connection assets were built for specific windfarms and charges should be based on the operating life of the assets which would be significantly longer than 25 years.

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

No

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.

A 20 year limit is at the lowest end of the time limit options you considered. Further to our response to clause 2.3 we would suggest that a minimum period of 25 years would be more appropriate for windfarms.

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?

Yes up to the point when the exemption runs out.

Question 3.1: In general are our proposals for implementing the exemption arrangements considered by this consultation appropriate? Is the level of detail we have provided sufficiently clear to make implementation 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 arrangements proposed seem reasonable.

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 would note that discussions have been ongoing about the issue of charges for pre 2005 connections for a significant amount of time. It has taken up a lot of resource in the process and one would hope that exemptions can be introduced with minimal extra work.

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

Ofgem does not seem like the right body to resolve a dispute in this case.

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?

We would support the use of the energisation date as the start of the period for which an exemption is calculated.

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?

Yes.

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 this is the most practical approach.

Yours sincerely

A handwritten signature in black ink, appearing to read 'CW Williams', with a stylized flourish at the end.

Charles Williams
Business Development Director
Falck Renewables Wind Limited