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Date: 05 December 2011

Dear Guy

**Distribution use of system: way forward on higher generation charging**

Northern Powergrid Holdings Company is the UK parent company of Northern Powergrid (Northeast) Limited and Northern Powergrid (Yorkshire) plc.

The decision to defer the implementation of generation charges under the Extra-High-Voltage Distribution Charging Methodology (EDCM) has been primarily driven by the need to address the concerns of generators who believed they had a right to be exempt from UoS charging indefinitely and the definition and derivation of the EDCM DG revenue pot. We welcome the fact that this consultation has been run in conjunction with the consultation on the proposal for a time-limited exemption for pre-2005 generators, as we believe the application of any decision on exemption will need to be managed through the charging methodology and therefore the two issues are interlinked.

We are continuing to contribute to the working group that has delivered the EDCM for demand customers and are fully aware of the options currently discussed in the consultation. Many of the issues have been debated at length within the group and we feel it is better to await the outcome of the consultation in order to ensure that the views of all stakeholders are considered in the development of an enduring solution.

One of the areas of contention has been whether or not generators should pick up the cost of the generation incentive or whether in fact we should consider that demand customers benefit from generation connecting and that they should therefore pick up some of this cost. If this were the case then the options that reduce the DG revenue pot and transfer the balance to CDCM could be argued to be more cost-reflective, and support the licence obligation to encourage more generation to connect and ultimately defer future reinforcement.

**NORTHERN POWERGRID HOLDINGS COMPANY**

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The only other comment we would like to make at this point is that we do not believe it is necessary to adopt option 5 and revisit the methodology, given the level of development already undertaken, as any of the other options could be accommodated. We recognise that, ideally, generators should be given a notice period of any changes the same as, or similar to, that given to demand customers: however, the timeframe for DNOs to consult in February-March and submit a methodology for approval in April-May could be quite challenging.

If you would like further clarification of any aspect of our response, please contact me so that we can arrange to discuss these.

Yours sincerely

*H Jones*

Harvey Jones  
Head of Network Trading