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

Guy,

#### **Introduction**

SmartestEnergy welcomes the opportunity to respond to Ofgem's consultation on Distribution use of system charging: way forward on higher voltage generation charging.

SmartestEnergy is a HH supplier which has consolidated distributed generation since 2001.

As a general point we are very supportive of Ofgem's proposed solution to this issue and believe that a 20 year rule from the point of connection strikes the right balance between fairness and practicality.

For your convenience we answer Ofgem's specific questions below in the order in which they are presented in the consultation document.

**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, on the assumption that LV and HV connected generators are currently net recipients and would therefore not be in a position where they would argue for refunds from April 2010 to the implementation date.

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

This seems the most practical solution.

**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?

We agree that it should be calculated from the date of connection.

**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?

Yes we agree with Ofgem's assessment of the options for determining the time limit for an exemption and are not aware of any other points of analysis which are relevant.

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

We are not aware of any.

**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 20 years is reasonable when considering the needs to satisfy the majority of generators and to implement a solution which does not involve protracted and in-depth negotiations with each generator separately.

**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, we believe they should.

**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.

Yes we believe the proposals are appropriate.

**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 consider the approach to be appropriate

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

Para 3.10 of the document states the following: "In accordance with the Electricity Act 1989 and DNOs' licences, the Authority would be able to consider disputes between a DNO and another party over the proposed terms of a new or amended connection or UoS agreement."

We are not absolutely convinced this means that a generator has recourse to Ofgem where he believes UoS charges are levied unfairly as the charges are not, strictly speaking, "terms". However, we believe that a generator should have recourse in these circumstances.

**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?

It makes sense to us to use the connection date, where available, if that is the point from which charges are usually made.

**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?

We agree that any customer with on-site generation connected pre-2005 should be allowed to be covered by an exemption (for their export only) if they are eligible on the basis that a demand customer with on-site generation would ordinarily be charged for UoS for the electricity it imports and exports, irrespective of the customer's predominant use of its connection and the DNO's network.

**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?

Yes.

Should you wish to discuss any aspect of this matter, please do not hesitate to contact me.

Yours sincerely,

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