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Our ref: SY

Your ref: GD

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Dear Guy

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

I am writing on behalf of Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc, Western Power Distribution (East Midlands) plc and Western Power Distribution (West Midlands) plc.

Thank you for the opportunity to comment on the paper setting out Ofgem's rationale for its decision to achieve policy objectives through granting pre-2005 DGs an optional time limited exemption from use of system charges, you will find our responses to the questions set out below.

**Chapter: One**

**Que 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?

**Our response:-** No; the choice factor should be removed. Either the site is eligible and pays or it is not.

**Chapter: Two**

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

**Our response:-** Yes; this allows for certainty for the end date of the exemption and gives generators some clarity and certainty.

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

**Our response:-** The period should closely match the period for which the generator made its original investment plans on. As such it should closely match the life of the generator (option 2). A proxy for this could be life of original connection assets.

**Que 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?

**Our response:-** None, except that the original investment decision was based on deep connection charging methodologies which would seem to imply the DG decision to invest was made on the life of the generator.

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

**Our response:-** no comment

**Que 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.

**Our response:-** See question 2.2

**Que 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?

**Our response:-** No; still relates to the cost of original investment.

### **Chapter: Three**

**Que 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.

**Our response:-** yes

**Que 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?

**Our response:-** Yes, a reasonable period would be if Ofgem published its decision by the end of August 2012 then by end of December 2012 would seem appropriate for completion.

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

**Our response:** -Yes

**Que 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?

**Our response:** - Use connection date if known, otherwise energisation date.

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

**Our response:** - Yes

**Que 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?

**Our response:** - Yes

If you would like to discuss this further please contact Simon Yeo on [syeo@westernpower.co.uk](mailto:syeo@westernpower.co.uk) or telephone 0117 9332349.

I look forward to hearing from you.

Yours sincerely



ALISON SLEIGHTHOLM  
Regulatory & Government Affairs Manager