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DISTRIBUTED GENERATION: AN OPEN LETTER REQUESTING VIEWS ON THE PROCESS OF GETTING CONNECTED

Dear Stacy,

Thank you for the opportunity to comment on your open letter on the process of getting connected to the distribution network. The comments below are provided on behalf of RWE Npower plc, RWE Supply and Trading GmbH and RWE Npower Renewables Limited, a fully owned subsidiary of RWE Innogy GmbH.

These are the issues that we think you should consider when assessing the issues and challenges faced by distribution generators (DG) when connecting to the distribution network.

Interaction with Transmission system

We feel that when considering barriers to connecting DG it is wrong to only consider the barriers on the distribution system and with the DNOs. In many cases, particularly in Scotland, it is issues with the transmission system and the TOs that present more significant barriers to DG. For example:

- It is far more complex, slow and time consuming dealing simultaneously with a DNO and NGET when trying to obtain a connection, for example negotiating connection dates.
- Application fees to NGET and Securities required by NGET can be prohibitive to smaller DG companies.
- Ofgem has recently been proactive in ensuring that the DNO's Long Term Development Statements (LTDS) are useful to DG and fit for purpose, whereas NGET's SYS has not received the same interest. We now find ourselves in a position that up to date information on the NGET system has not been available for some time. NGET's SYS is updated quarterly but for updates on Planned System Developments the user is directed to read the Transmission Networks Connections Quarterly Update (TNCQU). To obtain this date the TNCQU further directs the user to the Transmission Reinforcement spreadsheet on the NGET website, which has not been updated since August 2010.

Securities

Securities (particularly final sums liabilities) for small generators can present a considerable barrier to the acceptance of a grid connection agreement,

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particularly when the liability is unknown. Several recent grid connection agreements have been received with "To Be Advised" being written into the Transmission Liabilities section of the agreement. This presents difficulties in signing the agreement. We are aware that securities for transmission liabilities are not being passed onto small generators (<10MW) by some DNOs whilst SHEPD have passed on transmission liabilities for DG at <1MW. This requires formal clarification by OFGEM.

Process inconsistencies between DNOs and within the same DNO
There are inconsistencies between DNOs as to how exporting GSPs are dealt with. Some DNOs seem happy with the concept of exporting GSPs whereas others will not allow them. We have recently had one instance in England where the DNO will not allow the connection of a Small Power Station until that generator had signed a BEGA with NGET which infers a significant number of additional costs and technical requirements onto that generator. We are unsure of the reasoning for this but believe it may arise from an NGET requirement. It is unreasonable to place these requirements on one of a number of DGs beneath an exporting GSP, particularly on a Small Power Station.

There is inconsistency between DNOs as to how auxiliary supplies for DG are to be derived. Some will allow a supply from the DG substation or a diesel generator whereas others may require it from a separate source. We appreciate that DNOs may have different standards, but at times there appears to be no consistency within a DNO, and the DG is left without a clear understanding of the DNOs requirements. We believe that further transparency and clarity of DNO requirements would help to resolve this issue. There is also inconsistency between DNOs as to whether an auxiliary supply can be offered in the same offer as the connection for the DG export. In one instance we have obtained an offer of connection for a DG but have had to approach a different department within the same DNO for an offer for the auxiliary supply. These two supply's will require cables to be brought in parallel to the DG connection site that could share trenching works. However there appears to be no communication between the two DNO departments to enable such joined up thinking and a reduction in costs.

Feasibility Studies and Budget Quotations
Large variations in the cost of completing feasibility studies appear to exist between DNOs with some studies for small generators being completed for a nominal cost whilst others for similar size generation (2-5MW) are costing towards £10k. The completed studies still present major uncertainties in the timing, connection cost and dependent works required for a new DG connection and tend to err towards a conservative (high cost) approach. Alternative solutions for connection do not appear to be considered by the DNO requiring the developer to obtain their own independent assessment of connection options.

The requirement for DNO’s to provide budget quotations is a step forward. Unfortunately, we suspect that this is being used in some cases to put potential applicants off a formal application by providing a very high estimate of connection costs. We can understand why DNOs would play very safe with these quotes and would always prefer to assume a reinforcement which may not be required rather than omit a substantial cost element that it subsequently included in formal quote. However, we think that this could be overcome by DNO being less definitive in their response with regards possible (marginal) reinforcements by including options with and without reinforcements where the need for them is marginal and

subject to detail network studies which cannot be reasonably be performed as part of the budget quote.

Inflexibility in relation to contestable works

We feel that significant cost savings and reduction in connection times could be achieved if DNOs were more flexible regarding the provision of contestable works. At present our only options are to complete all the contestable works ourselves or contract the DNO to complete all the contestable works. In a number of cases we have opted to contract the DNO to complete the contestable works, not because the DNO was a more efficient option than employing an Independent Connections Provider (ICP), but simply because of the complexities in obtaining consents for long cable or overhead line circuits. We believe that if the DNO's were willing to split the contestable works such that the DNO carried out all the wayleaving/consenting activity and the DG (through an ICP) carried out the installation then significant cost and time savings could be achieved. Often the DNO does not consider routes for cables/overhead lines until an offer has been accepted. This makes it impossible to obtain a quote for these works from an ICP to enable an informed decision as to whether to accept a Full Licence offer or a Non-contestable only offer.

We also find that it is difficult to negotiate costs with the DNOs as they are unwilling to provide cost breakdowns for contestable works. They state that this is because these works are provided in a "commercial" world and hence cannot be disclosed. This just shows how out of touch the DNOs are with the real commercial world, where ICP's are far more than willing to disclose costs and negotiate terms in order to win contracts for work. This lack of transparency makes it very difficult to assess the reasonableness of the charges contained within an offer.

Contractual terms and connection costs

In our experience DNO's apply rigid contractual terms, and are often unwilling to enter into any form of negotiation. In one instance we attempted to negotiate terms with a DNO only to have the connection offer withdrawn as the DNO considered it a counter-offer. These contacts are generally very one sided reflecting the monopolistic power of the DNO. For example they allow for the DNO to vary the scope of works, cost and timescales at their own discretion, ie such issues are only indicative. These terms do not reflect those that one would expect in a competitive environment where the user is able to negotiate terms and be offered fixed price contracts etc.

Some DNOs are also unwilling to provide any flexibility or discuss mutually agreeable payment profiles for the connection costs. It would be beneficial to DG if such profiles could be negotiated to reflect the capital expenditure seen by the DNO, and to fit in with both the DG and DNO programme.

A number of DNOs have a connection offer validity period of 30 calendar days. For complex and costly connections this is insufficient time to allow for any meaningful negotiation with the DNO, ICP quotations to be obtained, or project sanction to be achieved from higher management. We would welcome a standardised validity period of 90 days across all DNOs, as we have with NGET.

Onerous requirements

More frequently DNOs are imposing grid code type requirements on small generators, on the off chance that they will be needed in the future. Similarly

NGET contracts often place detailed grid code requirements on DG that is deeply embedded in the distribution system, regardless of whether these requirements are needed or can even be used. We have instances of DG being required to be capable of operating in a power factor range of +/-0.95, when in practice the wind farm is required to operate at a fixed power factor to maintain voltages on the distribution system. Such unnecessary requirements increase the financial burden to DG.

Statement of Works process in Scotland:
There are inconsistencies between the DNOs as to whether and when Statement of Works are requested. In some cases a DNO will require a SoW for all DG, even small DG. Some DNOs request a SoW on receipt of an application for connection from a DG and other do not do so until after an offer of connection has been accepted.

The SoW process is now applied to most DG in Scotland (certainly in SHEPD's area) including small generators below 10MW (even below 1MW). This process is costly and time-delaying and it is difficult to understand its value when applied, often simultaneously, to multiple sites in the same transmission area. It is costly (~£20-30k) for small developers and landowners, especially at the more tentative stage of accepting a connection offer, most likely before consent. It is time-delaying because it involves many stages, each with a significant time-frame, which can delay confirming viability of a grid connection by as much as one year. We therefore suggest that the objectives and cost/benefits of the process are re-examined including an assessment of alternatives such as an aggregated approach rather than individual SoWs.

We also have examples of a SoW initially being demanded by the DNO to then be later told that it was not required and that an aggregated approach with several applicants was being taken.

We would be very happy to discuss these points further and if you have any questions on the above, please do not hesitate to contact me.

Yours sincerely,

Diana Kennedy

RWE npower renewables

Enclosure: DECC questionnaire for developers on connecting to the Distribution Network.