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Dear Rachel

Follow up to Distribution Generation (DG) Forum

Thank you for your letter of 27th October 2011 setting out your views on the key issues we face in providing DG connections, and the way forward. Ian Marchant has asked me to write in detailed response to the points raised, and also to reaffirm our commitment to making further improvements. As you know, SSE welcomed the opportunity to engage in the DG Forum and to be able to respond directly to the points raised. Having reflected on those sessions, we set out our views on the general policy issues below and respond to the specific points raised in your letter in the attached annex.

We recognise the importance of DG in delivering a low carbon future and we are fully committed to responding positively to DG customers seeking connection to our network. The DG Forum highlighted that strategic investment and socialisation of costs is viewed as a potential means to support DG. As your letter notes, this raises a number of potentially complex policy issues which need to be addressed before DNOs can more proactively anticipate and reinforce their networks in areas where there is likely to be substantive new DG connections. These include how compliance with the current price control, charging methodologies and Standard Licence Condition 19 would be maintained and how the financial implications to a DNO of costs and risk would be shared with customers. As the DNO uniquely placed to foresee many of these issues, with our networks already becoming uneconomic to reinforce for individual applicants, we are already developing thoughts on this and are very keen to enter into further dialogue with Ofgem and stakeholders at the meetings you propose.

Another area identified in your letter, and one which we welcome, is the ability for DNOs to charge up-front Assessment and Design fees. We appreciate Ofgem's approach to DECC and will do what we can to garner support from the DNO community and more widely in an effort to continue the dialogue with DECC on this important matter. Our discussions with some members of the DG community has shown that those customers who are serious about obtaining a connection support these fees, as they see them as beneficial to having their project progressed quickly.

The impact of external policies on volumes and uncertainty – and hence levels of service – cannot be overlooked; for example recent changes to the Feed in Tariff scheme has caused a significant number of customers to apply for connection offers with a very short lead-in time. Whilst we expect this particular issue to drop off, it serves to demonstrate how these external policy changes can have an impact on the speed of service that we offer to customers.

We actively monitor actions we are taking to improve our service to DG customers; see the log attached to this letter. Amongst our plans to improve the information available to customers is an updated website portal, which will provide relevant information and guidance on the different stages of obtaining and connection, what information we need at the time of application and other relevant information. Customers will also be able to fill in an online application form, which will make the application process smoother and less complicated. This work is still in its very early stages; however we are committed to improving the information and service available to customers through this channel.

Finally, we recognise that Ofgem's Forums in London, Glasgow and Cardiff were to stimulate debate and allow customers and DNOs a platform to air their issues, with the expectation that DNOs would then take these issues forward. To this end, we are currently looking into the logistics and practicalities of hosting our own DG stakeholder events in order to maintain dialogue. Our plan is to host four of these per year, in both of our distribution areas, two in the north and two in the south. We plan to host a trial event in January 2012 in the SEPD area to kick these off, and are in conversation with ScottishPower about hosting a joint event.

We are confident that SSE's approach demonstrates our commitment to facilitate the connection of renewable generation with the aim of assisting Government to achieve their environmental targets. We look forward to meeting with Ofgem in the near future to discuss our progress in more detail.

Yours sincerely

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Aileen McLeod
Head of Regulation, Networks

Annex - Response to specific points raised in Ofgem's letter.

Point 1: The application and connection process is long winded and complicated.

We recognise that by its nature the process can be long winded. The reasons for this may be attributed to the speculative nature of some applications; third-party issues out-with our control, for example Wayleaves; aside from the connection element, the length and complexity of the process overall (planning permission, environment agencies, etc.).

Notwithstanding this, we already provide information on the application and connection process through our website, on leaflets, via our Major Connections Contracts team and through the ENA documentation we make available.

At SSE, we encourage customers who have any questions to contact us. This gives us the opportunity to explain anything that the customer finds complicated. We also recognise that different customers have different levels of technical and/or procedural knowledge and we attempt to provide for this through the information we make available.

We believe that the new interface which we are working to introduce on our website will go a long way to addressing the perceived complexity of applying for a connection and should also streamline the process for applicants.

Point 2: Customers do not feel there is enough information available to them to understand how best to go about applying for a connection, and the ways in which they could minimise the cost of their connection.

Alongside the information that we provide which is detailed in the answer to the previous point, we have dedicated teams (North and South) who are available to our customers and who customers are encouraged to contact should they have any questions or require any additional information. We also offer feasibility studies which provide customers with a list of options and charging breakdowns.

Additionally, we have dedicated Contract Managers for connection projects >50kVA, who, again, customers are encouraged to contact. These Contract Managers are best placed to indicate where savings could be made on a particular project.

At SSE we committed to continually reviewing the effectiveness of our services and how we interact with our customers, in an effort to make the application process as smooth and logical as possible.

We will look at the information which is available to customers and how easy it is to find and navigate. Our engagement with customers, for example via our planned forums, will inform us where we can make changes and improvements.

Point 3: Customers do not feel they get enough detail in connection quotes to allow them to challenge DNO costs.

All of our connection quotes include location information; a detailed description of the works included and is broken down by non-contestable costs and all-works costs in accordance with the Common Charging Methodology Statement (CCMS). As part of our DG information

strategy, we are also in the process of providing worked examples of the kinds of costs and equipment included in a DG connection.

However, following the DG forums, we are reviewing our DG offer letter to revise the layout and the cost information provided. Through this, we aim to improve clarity of costs to our customers. This exercise will be completed by the end of this year.

Supplementary to the above, we are proposing to include additional tables in the CCMS of DG specific equipment, for example Regulators and Neutral Voltage Displacement (NVD) protection. This should aid all customers in understanding the challenges and costs contained in a quotation received from a DNO.

Point 4: There is inconsistency in the approach taken by different DNOs, both to the connection process and to the application of technical standards with a DG connection.

We recognise that there are differences in approach between DNOs. Indeed within SSE, our two DNO businesses face different challenges. SEPD has seen the cumulative effect of an increase in small PV installations and has therefore had to manage the risks associated with Voltage Rise on our LV networks. In the SHEPD area, the predominant installations are wind and hydro onto sparsely populated radial HV and EHV networks.

Different networks present different technical issues and require different approaches. For example, where we have an overhead network whose load is closely aligned to the connected generation, there is a requirement for protection against the risk of the network running islanded. We mitigate this risk by requiring NVD protection of the connection.

Whilst within SSE we are confident that our practices and processes are applied consistently in relation to technical standards, we recognise that there may be occasions where the specific network requires a more uniquely tailored approach. A good example of this is our NINES project on Shetland, which is designed to deliver an innovative solution to generation connections and load management.

The work that we, and other DNOs, are doing to improve the information and accessibility of information available to customers should see the reasons for these areas of different approach become much clearer to customers.

Point 5: With a few notable exceptions, the service provided and efforts made to engage with DG customers falls well below expectations.

We hope that the service that the vast majority, if not all, of our customers receive is first class. SSE prides itself on its customer service and we are always looking at ways which will improve the experience for our customers.

In the past financial year we have significantly increased the number of staff working within the DG connections area; implemented training focussed on delivering commitments to customers; and put in place dedicated resource to deal with DG customers.

Aside from these changes, and as we have stated in our covering letter, SSE intends to host similar events to Ofgem's DG forums beginning next year. Whilst these will be hosted by us, the format and content will be driven by customers.

Similarly, we are in the early stages of establishing a working arrangement with a recognised community energy group. This group will establish a 'think tank' which will focus on

identifying innovative ideas and solutions which could allow the connection of additional DG to constrained networks.