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Reference Number: 101/12
Email: anthony.mungall@ofgem.gov.uk
Title: Response on small generator discount

Date: 2nd August 2012.

Open Letter on the discount for small transmission connected generators from 31 March 2013

Anthony,

SmartestEnergy welcomes the opportunity to respond to Ofgem's Open Letter on the discount for small transmission connected generators from 31 March 2013.

Summary

SmartestEnergy is generally supportive of the proposal to extend the Small Generator Discount to 31st March 2016 and believe that policy option (ai) to be the most proportionate and pragmatic approach.

Background

In our response to the equivalent consultation 2 years ago we stated the following:

"SmartestEnergy is generally supportive of the proposal to extend the Small Generator Discount but we believe that the advent of SmartGrids and the opportunity to introduce more sophisticated charging across both transmission and distribution networks means that current arrangements should continue until this new world has been, or is close to being, realised. Ofgem should recognise this now rather than be seen to be continually deferring the issue of the Small Generator Discount every other year.

"We note the plan that Project: TransmiT will report in the summer next year but it is likely that the initiatives which result from it may take many years to implement."

This remains our view. We note that Ofgem have previously set out the view that, amongst other things, there is a need to review the current transmission charging arrangements to ensure that they reflect the costs imposed on the transmission network and give appropriate credit for benefits provided, taking into account the

impact of DG on such costs. In our view, the current arrangements for TNUoS and TLM are somewhat simple but effective; embedded generation receives a benefit equal to the charges on the transmission network but the associated embedded demand (in a self-supply arrangement, for instance) still pays the charges thus creating a net zero effect which reflects the fact that the transmission network has not been used. There are also arrangements in place to deal with the eventuality that a GSP may suddenly be a net exporter; the embedded benefit reverses.

Answers to specific questions.

We answer the specific questions in the Open Letter below:

Is it appropriate to extend the small generator discount in SLC C13?

Yes

Is 31 March 2016 an appropriate time to extend to?

We are comfortable with this as an interim marker. However, given the amount of time it will take for the level of embedded generation to change significantly and given the planning required for sophisticated and accurate charging structures to be put in place to reflect SmartGrids, we believe that the current arrangements, including the Small Generator Discount, should stay in place for the next 10 years or until the next review of the Transmission Arrangements.

Do we need to put in place any further measures to avoid further extension of the licence condition beyond 31 March 2016?

No. A further extension will almost certainly not only be required but would also be appropriate.

Should you require further clarification on this matter, please do not hesitate to contact me.

Yours sincerely,

Colin Prestwich
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