6th Floor, Dean Bradley House
52 Horseferry Road, London SW1P 2AF
+ 44 (0)20 7706 5100
www.energynetworks.org

Simon Cran-McGreehin

Network Policy

The Office of Gas and Electricity Markets

9 Millbank

London

SW1P 3GE

28 September 2012

Dear Simon

**RE: Consultation on charging methodology for higher voltage distributed generation. Ref: 115/12**

We welcome the opportunity to comment on the issues raised in this consultation on behalf of the Distribution Network Operators (DNOs) Common Methodology Group (CMG) of the ENA.

**Chapter One**

DNOs have engaged with Stakeholders and Ofgem extensively throughout the development of the charging methodology for higher voltage distributed generation (EDCM). The DNOs have held workshops and consulted on their proposals and taken into consideration stakeholder feedback prior to submission of their final proposal to Ofgem.

The CMG have also kept stakeholders informed at the Distribution Charging Methodologies Forum (DCMF). DNOs have also individually consulted their customers, providing illustrative charges of the options under consideration. The DNOs will continue with their stakeholder engagement and welcome further thoughts on

provision of information to improve the understanding of EDCM and its impact on customers.

**Chapter Two**

Overall, CMG agrees with Ofgem's assessment of its proposals submitted on 1 June 2012. However, having engaged with Ofgem throughout the process and followed its EDCM policy decision and guidance, we are surprised that Ofgem has raised an issue on paying super-red credits to intermittent generation.

The proposed EDCM methodology recognises the contribution of security of supply that a generator provides. The technical standard Engineering Recommendation (ER) P2/6 approach to assessing security of supply risk, ignores some contributions from "intermittent" generation. For example, a wind turbine connected at a HV substation may not reduce capacity at that substation but it may (along with other generation in the vicinity) reduce the demand at time of peak at the higher 132/33kV substation and 132kV network. The extent to which the benefit offered by each generator is reflected at the higher voltage levels could be approximated by its load factor (i.e. the probability that it is exporting at any instant). The proposed method recognises this by offering only the FCP/LRIC Charge 1 Remote element, (relating to higher network levels) to all generators, whilst the FCP/LRIC Charge 1 local element is available to those generators (non-intermittent) who are deemed to make a non-zero contribution to security of supply.

The DNOs believe that the current approach to assessing generation contribution to security of supply (including ER2/6) needs to evolve to take account of new developments, e.g. active network management and smart grids, particularly in light of the forecast of significant increase in renewable distributed generation.

We believe our proposal to pay partial credits to intermittent generators when they export during the super red time periods, reflects the developing nature of intermittent generation and its impact on the network. Whilst there may be instances where customers might be paying for credits and reinforcements in the same area, we believe that in overall terms, incentives should be provided to generation to export during peak periods to reduce demand and thus defer/avoid network reinforcements.

The DNOs agree with Ofgem's assessment on Issue 2, Issue 3 and Issue 4.

**Chapter Three**

The DNOs will publish their indicative 2013/14 Use of System (UoS) charges in December 2012; the basis of export charges for higher voltage distributed generation will depend on Ofgem's decision. We urge Ofgem to make their decision as early as possible (preferably by mid-November) to allow DNOs to reflect their indicative charges accordingly and in a timely manner. If Ofgem decide to impose any conditions or amendments and the implementation date of 1 April 2013 is to remain unchanged, DNOs will require sufficient time to reflect any modelling changes into their indicative charges.

Ofgem's early decision will also help to progress DCP 152, the change proposal to incorporate EDCM export into the Distribution Connection and Use of System Agreement (DCUSA) from 1 April 2013, assuming the proposal is approved.

We trust these comments are helpful. Please do not hesitate to contact the CMG should you have any further queries.

Yours sincerely

**Mo Sukumaran**
On behalf of CMG (DNOs)
Electricity North West
Northern Powergrid
SP Energy Networks
SSE Power Distribution
UK Power Networks
Western Power Distribution