

Simon Cran-McGreehin
Networks Policy
9 Millbank
London
SW1P 4LA

2^o October 2012

Dear Simon

Consultation on charging methodology for higher voltage distributed generation.


EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including both residential and business users.

Of the four issues raised by Ofgem in the consultation the main one seems to be issue 1, the issuing of credits for intermittent generation. It is important that the charging methodology appropriately reflects the costs or benefits imposed on the network. To the extent that the DNOs plan their network taking into account the aggregation affect of intermittent generation, it is important that this benefit from deferred investment is recognised. If this is the case then it is also important that ER P2/6 is revised to acknowledge this approach.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact my colleague Julia Haughey on 0203 126 2167, or myself.

I confirm that this letter and its attachment may be published on Ofgem's website.

Yours sincerely,



Mark Cox
Head of Transmission and Trading Arrangements

Attachment

Consultation on charging methodology for higher voltage distributed generation.

EDF Energy's response to your questions

CHAPTER: One

Question 1: Have the options available to pre-2005 generators been clearly explained to those generators?

We believe they have.

Question 2: What information (or guidance) about the EDCM would be of use to industry participants, and what do DNOs and generation customers think could be provided?

There is no transparency to the DNOs EDCM models which makes it difficult for industry participants to understand the drivers and how charges may change. The EDCM has increased volatility due to other users on the network. By understanding the models industry participants would be better able to see the drivers for change.

CHAPTER: Two

Question 1: Do you think that the proposed methodology includes the relevant issues, and has not omitted any relevant issues?

Yes.

Question 2: Do you agree with our understanding that the interactions between super-red credits for intermittent generators and Engineering Recommendation P 2/6 could result in demand customers paying for credits when no network benefit is recognised under the planning standard?

It is important that the charging methodology appropriately reflects the costs or benefits imposed on the network. To the extent that the DNOs plan their network taking into account the aggregation affect of intermittent generation, it is important that this benefit from deferred investment is recognised. If this is the case then it is also important that ER P2/6 is revised to acknowledge this approach.

Question 3: Is the treatment of sole-use asset costs appropriate?

Yes.

Question 4: Is the calculation of the revenue pot appropriate, in particular the approach to the DPCR4 contribution, and proposed figure for the O&M rate?

It seems reasonable in the absence of any other option.

Question 5: Is the approach to allocation of the revenue pot appropriate?

Yes. An alternative would be to separate the Allowed Revenue into Demand /Generation.

Question 6: Do you have any views on the calculation of LDNO charges through the extended "Method M" for CDCM-like customers, and through the separate methodology for EDCM-like customers?

No.

Question 7: Do you have any other comments about the issues that we have noted, or about any other points?

No.

Question 8: Is it appropriate for us to approve the methodology?

Yes.

Question 9: Is it appropriate for us to place the potential condition that we have suggested, and are there any other conditions that respondents feel would help to better meet the Relevant Objectives?

It seems reasonable to place the condition on the DNOs. This is an issue that could be helped by an update to P 2/6.

Question 10: Do you think that we have identified the important impacts in our Impact Assessment?

Yes.

**EDF Energy
October 2012**