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Dear Simon

## **Charging methodology for higher voltage distributed generation**

The Renewable Energy Association is pleased to respond to your consultation on EDCM export charges. The REA has members who work on all types of renewable power and heat projects and the many of their electricity generation projects are connected to distribution networks at ehv levels or at hv but metered at a primary substation so that they are subject to EDCM charging.

It is important to recognise that if a common ehv charging methodology is introduced next April this would be the culmination of almost ten years of work. We think that the DNO proposals are broadly acceptable but would take issue with your proposal to remove even the partial credits that they propose be given to intermittent generators. We give our reasoning for this in our answer to question 2 of chapter 2. Turning to the specific questions that you have asked:

### **CHAPTER: One**

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

Within the REA we have done our best to promulgate the options available to our members. We are not party to contacts between individual DNOs and pre

April 2005 connected customers. There have been some reports of communications having been sent to inappropriate locations but we are making no comment on the extent of this or whose fault it may be.

**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?

Some method of assessing how charges / credits could change in the future under different scenarios would be valuable.

## **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?

The way that P 2/6 treats intermittent generation is quite complex involving F factors and persistence levels of various types of generation. It is not the case that intermittent generation can never defer network investment under it.

However that is not the real issue. P 2/6 is under review with an aim we understand of going from a deterministic set of rules to using a more probabilistic approach. Any type of generator has a finite probability of being available to operate and actually generate at a specific time such as when the distribution network is most stressed. For a generator classified as non intermittent this probability is higher than for one classified as intermittent. However there is a probability that an intermittent generator will be running and indeed a probability that a non intermittent one will not.

It is only by analysing these probabilities (and indeed the probability of particular types of distribution circuits being available) and reconciling all of this data with a desired probability of having a supply available that an optimum level of distribution network can be achieved. In other words for optimum distribution investment planning what is important is the probability that particular generators (and distribution circuits) will be available / generating at particular times.

The simplest method of giving credit that relates to this probability of generation being available is to give credit when it is actually running in super red periods and not to do so when it does not. This avoids having to classify types of generators (more on this below) and gives credit only to plant that is actually benefitting the system. If P2/6 does not currently recognise that any plant that is

actually running provides security and potentially allows network investment to be avoided (depending on the probability of that plant running) then that is a defect of P 2/6, which we understand is being addressed.

In our view therefore full credits should be given for plant that is actually running during red time bands. The DNO proposal only to give a partial credit was an underpayment (why should two generators that are actually generating at the same location and the same time be rewarded differently?) and it would be unreasonable to remove even this level of credit. Over time one would expect non intermittent generation to receive higher rewards than intermittent generation through the simple fact of it being expected to generate in these periods less frequently i.e. it has a lower probability of generating.

There is another pragmatic argument for not rewarding generation according to its categorisation (and indeed for not having a fixed categorisation in the planning standard). The distinction between "intermittent" and "non intermittent" sources is not always a step change. What happens to hydroelectric developments with limited storage? At what storage level do they move from intermittent to non intermittent? This of course raises the issue of self standing storage devices. What are their credits for export? They are not currently categorised at all in P 2/6. How would one categorise a wind farm with an associated storage device sharing the same connection?

All of the above are issues equally for the charging arrangements and for developments to P 2/6. It is clear however that the "right" answer is not to try to categorise all generation but simply to take account of the probability of it generating during periods of distribution network stress.

For charging this is simply achieved by paying credits for actual generation during super red periods. This would also be equivalent to the way that generation is currently given transmission charging credits (they have to generate on three occasions during the winter period but no account is currently taken of the type of generator).

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

It appears to be appropriate for post April 2005 connected customers. Some pre April 2005 connected customers will already have paid capitalised O&M charges for sole use assets (and indeed often shared use assets as well) so this charge would not be appropriate for them. It is true that they have the option not to pay DUoS charges for the exemption period but there is a case to be made that they should be allowed to opt in whilst remaining exempt from this particular component of the charge.

**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?

We think that the overall approach is reasonable with the exception of the O&M component for pre April 2005 connected generators as many of these paid this as a capitalised sum (see above). The explanation of the pre April 2005 connected generator related component of the charge is not clear. The text implies that it exists for all such generators but a later comment implies that it is only added for those generators that are opted in to the EDCM.

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

It appears to be reasonable.

**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?

We do not have any comment on this.

**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 but see also the answer to question 9 below.

**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?

No. Our view is that all generators should be entitled to full credits for actual generation during periods of distribution network stress. If any condition were to be imposed it should be that all generators obtain a full credit.

We do not think that any other conditions are necessary. If parties think that the methodology can be improved they should address this through the open governance process.

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

There is little analysis of the overall economic impact of these charges. Our view is that this is not a fatal flaw as we take it as self evident (and therefore not requiring analysis) that, to the extent that the charges are more cost reflective than the existing ones, there should be an overall economic gain.

If you would like to discuss any of these comments further please let me know,

Yours sincerely

Gaynor Hartnell  
Chief Executive  
Renewable Energy Association