

RWE npower renewables

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

Your ref 115/12

Name Fruzina Kemenes
Company: RWE npower renewables
Role: Regulation & Policy Manager
Phone 01793 474463

E-Mail fruzsina.kemenes@rwe.com

(Submitted electronically)
Simon.Cran-McGreehin@Ofgem.gov.uk

5th October, 2012

RWE Npower Renewables Response: Charging Methodology for Higher Voltage Distributed Generation

Dear Simon,

We welcome the opportunity to respond to this consultation regarding the Charging Methodology for Higher Voltage Distributed Generation. This response is provided on behalf of the RWE npower renewables Limited, a fully owned subsidiary of RWE Innogy GmbH.

RWE npower renewables does not accept the basis for Ofgem's proposal to remove eligibility for credits from all EHV connected intermittent generators. We do not agree with Ofgem's understanding that Engineering Recommendation P2/6 does not attribute intermittent generation with any benefits for securing supply. We recommend that for each site where a credit could be payable the DNOs should consider them on a site by site basis to determine what % of the credit is payable based on the security contribution calculated using P2/6.

Please find our detailed response to the questions set out in your consultation overleaf,
Kind Regards,

Fruzsina

Fruzsina Kemenes
RWE npower renewables
Regulation & Policy Manager

[RWE npower renewables](#)

Auckland House
Lydiard Fields
Great Western Way
Swindon
Wiltshire SN5 8ZT
T +44 (0)8456 720 090
F +44 (0)8456 720 050
I www.npower-renewables.com

Registered office:
RWE Npower Renewables Limited
Auckland House
Lydiard Fields
Great Western Way
Swindon
Wiltshire SN5 8ZT

Registered in England
and Wales no. 2550622

CHAPTER: One

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

The initial consultation on options was relatively clear, however this follow-up consultation has caused confusion regarding the benefits of opting into the GDUoS for eligible pre-2005 sites. Proposing changes so late also causes confusion for other intermittent generators that pay GDUoS regarding how much they will be expected to pay in 2013, this is not helpful.

We strongly support the view that the pre-2005 sites should be allowed to reconsider their position on opting in to take account of Ofgem's decision on credits.

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?

- **Request for better information to enable customers to interpret proposals**

Although DNO contacts were helpful in response to customer queries, the process of working out the impacts of changes to the EDCM methodology was quite complex and time consuming as we did not have all the data needed for analysis at hand.

In the future we would ask that the illustrative tariffs should be listed by project name rather than the DNOs listed export tariff numbers (especially as these are subject to change year on year). Alternatively, when such a consultation is launched/ when DNOs release indicative tariffs DNOs should proactively contact each customer with a reminder of the tariff numbers corresponding to their sites.

- **Request for Direct Operating Cost Rate and the Network Rate, and typical equipment MEAV's in the Statement of Charges.**

The aim of the EDCM is to provide locational signals to inform developers as to where best to site DG. We feel that the signal provided is limited for two reasons:

1) The Capacity Charge will provide a broad locational signal as to which DNO areas are better than others. As this figure will be published annually it will help developers, but in many cases it is the availability and quality of the renewable resource that drives decisions on broad location.

2) The fixed charge is supposed to provide a locational signal *within* each DNO area. We agree with the proposed methodology for calculating site specific fixed charges. However, in order for this charge to provide a true locational signal for DG the developer needs to be able to estimate the charges at an early stage of development. Currently it is near the end of the development process that DNOs provide this information.

The DNOs calculate the fixed cost from the

- Direct Operating Cost Rate (% of the MEAV)
- Network Rate (% of the MEAV).

In order that developers can estimate the fixed charge we request that the DNOs are required to publish the Direct Operating Cost Rate and the Network Rate, and typical equipment MEAV's in their Statement of Charges.

CHAPTER: Two

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

Definition of intermittent generation:

We would like confirmation that hydro storage schemes are categorised as non-intermittent distributed generation - they meet the criteria of generation plant where the energy source can be made available on demand.

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?

- **We do not agree with Ofgem's understanding that Engineering Recommendation P2/6 does not attribute intermittent generation with any benefits for securing supply.**

Npower Renewables was involved in the drafting of P2/6 and a lot of work was put in by the workstream in devising a methodology for calculating the contribution from a number of different types of DG to Security of Supply - including intermittent sources. This is all detailed in the ENA's Engineering Recommendations ETR130 and ETR131. Whilst the methodology may show for some intermittent DG that the contribution is small, it may be significant for others. It is therefore wrong for Ofgem to discount all intermittent generators as having no contribution to security of supply and hence receive no credit.

For each site where a credit could be payable the DNOs should consider them on a site by site basis to determine what % of the credit is payable based on the security contribution calculated using P2/6.

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

Yes these assets need to be operated and maintained and the proposed method of covering these costs is appropriate.

However as explained in Part 1 Q2 for this to act as a locational signal it is important that developers can estimate the fixed charge in advance of committing to a site. We request that the DNOs publish the Direct Operating Cost Rate and the Network Rate, and typical equipment MEAV's in the Statement of Charges.

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?

No comment.

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

No comment.

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 comment.

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

No comment.

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

For each site where a credit could be payable the DNOs should consider them on a site by site basis to determine what % of the credit is payable based on the security contribution calculated using P2/6.

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 – as noted in Ch 2. Q2. we disagree with Ofgem's understanding that Engineering Recommendation P2/6 does not attribute intermittent generation with any benefits for securing supply.

For each site where a credit could be payable the DNOs should consider them on a site by site basis to determine what % of the credit is payable based on the security contribution calculated using P2/6.

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

No comment.