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*Date*

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24 February 2015

Dear James,

**OFGEM CALL FOR COMMENT – HIGH COST CAP VERSUS VOLTAGE RULE FOR  
DISTRIBUTED GENERATION CONNECTIONS**

We write in response to your request for comments regarding whether the High Cost Cap (HCC) or the Voltage Rule should take precedence if a customer requiring a connection for a generator triggers DNO network reinforcement works.

WPD have been applying these two rules in the manner of set out in your letter as Ofgem's view, subject to consultation, on which rule takes precedence. This is to say that we apply the voltage rule in precedence over the HCC such that a connectee triggering the HCC would not contribute towards any costs for any reinforcement works required greater than one voltage level above the point of connection to the existing distribution network.

Clearly, the decision as to which rule takes precedence can have significant effect on the customer's contribution toward the reinforcement works. Preferring the Voltage Rule may facilitate the connection of distributed generation in terms of the contribution the connecting customer needs to make.

The HCC has sent a useful cost signal to the customer to connect only where the network has capacity. However, if we apply the HCC over the Voltage Rule, as it applies only to generation connections and not to demand it serves to create an inconsistency in the charging methodology. The significant connection charges imposed under the HCC makes schemes unviable and serves to deter developers from connecting. This in turn impacts on Government strategy to deliver a low carbon, sustainable energy sector.

If the Voltage Rule is given precedence over the HCC then the customer that triggers upstream reinforcement will not generally be required to contribute toward those works thus leaving the DNO to recover the costs through DUoS charges. Whilst this has the effect of shifting the costs to the wider customer base, the proliferation of generation means that it is very likely that other generator customers will seek to connect and utilize any spare capacity created under the reinforcement

works. Where this is the case it may be possible for the DNO to recover some of these costs from the succeeding generator customers.

In summary, we believe that the Voltage Rule should take precedence over the HCC - the customer should only pay for reinforcement up to one voltage level above their point of connection because this will enable greater consistency in the treatment of different customers.

If adopted, an explicit change to the Common Connection Charging Methodology should be made in order to clarify the position.

We would be happy to discuss any of these issues further and we look forward to seeing the views of other stakeholders in their responses to this consultation.

Yours sincerely



ALISON SLEIGHTHOLM  
Regulatory & Government Affairs Manager