



Bringing Energy
Together

Response to consultation on SLC c13 23 December 2015

The Association for Decentralised Energy (ADE) welcomes the opportunity to respond to the consultation on the proposal to modify Standard Licence Condition C13 of the electricity transmission licence (Adjustment to use of system charges (small generators)).

The ADE is the UK's leading decentralised energy advocate, focused on creating a more cost effective, efficient and user-orientated energy system. Our members have particular expertise in combined heat and power, district heating networks and demand side energy services, including demand response. The ADE has more than 100 members active across a range of technologies, and they include both the providers and the users of energy.

Consensus industry recommendation

In February 2014, the Association for Decentralised Energy (then the Combined Heat and Power Association), Renewable Energy Association, Solar Trade Association, Renewable UK, Energy UK, Community Energy Scotland, and Scottish Renewables submitted a joint response to a National Grid consultation on the enduring arrangements for the embedded benefit and SLC c13.

Together these Associations represent the generation and supply of the overwhelming majority of market participants. In our joint consultation response, we recommended grandfathering existing connected generation under the Small Generator Discount, but discontinuing the allowance to new generation not connected by 1st April 2016 when the current license condition expires. This was also the majority position in the National Grid industry focus group created to examine this issue in 2013.

The ADE is disappointed that Ofgem has instead proposed extending the discount against the consensus industry recommendation.

Supporting cost-reflectivity

Ofgem notes in its consultation that "the discount was introduced to provide a level playing field for small 132kv connected generators in Scotland while industry developed enduring arrangements for transmission charging for embedded generators". We have concerns with this approach, and do not think Ofgem should link the small generator discount to the enduring arrangements for the Embedded Benefit.

Network charges, like all other charges, should reflect costs imposed, as this drives the best value for consumers in a regulated environment. It is no more relevant to promote competition by equalising all or some components of network charges than by equalising fuel costs between different types of generation. A generator or demand user's position in the electricity market should reflect the costs and charges, including network charges, required to provide or receive their service.

The focus of charging arrangements should therefore be on cost reflectivity, not equalising competition. Cost reflectivity across the entire system leads to a more cost-effective system. The

absence of cost reflectivity removes the driver to deliver the best value energy system to the consumer. The decision to extend SLC c13 should therefore be based on whether or not it improves the cost reflectivity of the system and should not be linked to the Embedded Benefit arrangements.

The Ofgem proposal does not give any indication of how extending Standard Licence Condition c13 of the electricity transmission licence until 2019 will improve cost-reflectivity or improve cost-effectiveness for the consumer. We therefore reiterate the consensus industry recommendation that Ofgem grandfather existing connected generation under the Small Generator Discount, but discontinue the allowance to new generation not connected by 1st April 2016.

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