



Community Energy Scotland
Cumhachd Coimhearsnachd na h-Alba

OFGEM
9 Millbank
London
SQ1P 3GE

21 September 2016

Dear Sir/Madam

Charging arrangements for embedded generators

Community Power Outer Hebrides (CPOH) is a consortium of five community wind energy schemes ranging from 900kW to 9MW and is facilitated by Community Energy Scotland (CES), Scotland's community energy development charity. We would like to raise our concerns regarding OFGEM's open letter on changes to the current charging arrangements as up until now these charges have been in line with the positive benefits which Embedded Generators (EG) have on local network.

It has always been understood that smaller EGs help to reduce system losses and support DNO's in times of peak demand, as well as increase export onto higher voltage levels in areas of lower demand. Transmission connected generators already benefit from shallower connection charges, economies of scale for installation, increased PPA values, access to wider revenue streams through ancillary services and larger generation portfolios. It therefore seems only fair that the varying charging regimes demonstrate the level of network support provided, as well as the heightened risk and extra cost in doing so.

Our community projects currently channel any income received towards the social, economic and environmental advancement of those most in need within the individual communities in which we serve. We therefore cannot stress strongly enough the adverse impact this change in the charging regime would have on smaller, community based projects. Not only could it potentially limit the number of groups who would be able to build new projects due to already enhanced difficulties with grid connections, the removal of the climate Change Levy and cuts to incentives, but it could also cause unnecessary financial strain on those projects which have already been built. This proposed change in charging regime will affect the amount of support community energy projects can provide to the most vulnerable in our communities by around £15,000 per annum for a 900kW turbine and £41,000 for the largest of our community schemes of 9MW. To date this sort of money has funded insulation and energy efficiency schemes to lower fuel bills, end of life care, job creation and lifeline community services.

We believe that to remove the benefit from all EGs is unfounded, and simply increases the disadvantage of an already disadvantaged sector. It has already been

Community Power Outer Hebrides
C/o Kathleen MacDonald
Creative Industries Media Centre
56 Seaforth Road
Stornoway
HS1 2SD
Kathleen.macdonald@communityenergyscotland.org.uk

recognised by the NTBM and QMEDC consultations from Ofgem that embedded generation is actually driving most of the innovation on the electricity. Given the relatively small scale of the impact, a more proportionate approach would be to allow DNOs to increase DUoS charges for metered EG that increases export from GSPs at peak times, and for a proportion of this DUoS to be paid to Grid. This would be aligned with the way the system is already evolving and would incentivise EG (and DNOs) to manage their output rather than just penalising them without any equivalent reward mechanism, which is what the removal of embedded benefits would represent.

It does seem to us that the main driver for this change seems to be the success of embedded diesel generators at winning auctions in the capacity market and frequency response contracts. Surely this could be addressed directly by the selection criteria for those auctions rather than penalising the entire DG sector?

In conclusion, can we ask that OFGEM seriously consider the repercussions of such a decision on smaller generators, who already face higher installation charges, higher grid connection costs per MW and typically more challenging environments for installation. We feel there needs to be a full and detailed review of system charging which takes into account all fundamental issues, including the benefits EGs bring to rural networks, the importance of innovation of our networks, the improvements provided to weak or poor grid infrastructure and the follow on benefits that the income from community schemes provide such as the tackling of fuel poverty, training and employment benefits and housing provision, amongst other things.

Yours sincerely

Community Power Outer Hebrides
Community Energy Scotland
Urras Oighreachd Gabhsainn
Horshader Community Development
Tolsta Community Development
Point and Sandwick Development trust
Barra and Vatersay Community Limited