

Frances Warburton
Partner - Energy Systems
Ofgem

By Email

12th September 2016

Dear Ms Warburton,

Open letter: Charging arrangements for embedded generation (dated 29 July 2016)

We write in response to the above open letter and welcome the opportunity to provide comment on the approach to reviewing the transmission network charging arrangements for embedded generators.

The payment of embedded benefits is a long established part of the GB electricity system, and a key part of a generator's income stream. Whilst the generation infrastructure is clearly moving towards one with more distributed generation, we agree with Ofgem's view that the arrangements are both complex and important. Due to this, they require careful rationale and review to ensure that embedded benefits are fair and that the cost to consumers is managed accordingly. It would seem most sensible to see any changes made as part of a package following a Significant Code Review where clear long-term objectives could be set, rather than addressing CUSC modifications based only on their individual merit and with only the information available at the time.

The rate of change and complexity of the market mean that actions taken in haste now have the potential risk of unintended consequences which will have to be unwound by further changes in the future. Although we recognise Ofgem's desire to act quickly, we recommend that due to the nature of the market shift that a fully integrated picture should be developed before any action is taken.

If you would like to discuss this further please feel free to contact me.

Yours sincerely,

Gemma Newsham
Regulations Director