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Dear Ms Warburton,

Scottish Water Response to Open letter: Charging arrangements for embedded generation

I refer to the Ofgem correspondence issued on the 29th July 2016 in relation to charging arrangements for embedded generation. The Scottish Water Group receives the TNUoS Demand Residual element of embedded benefits through its portfolio of anaerobic digestion CHP, hydro, wind and solar assets which help to offset the use of system charges at the same sites as an end-user of electricity.

It is Scottish Water's view that the impact of removing the TNUoS Demand Residual embedded benefit will have a negative effect on those of our generation sites wishing to participate in demand side response, as there will be no incentive to generate during the Triad season. This in turn has an impact on contributing towards the UK grid's security of supply.

Removing the TNUoS benefit will also make future business cases for renewables more difficult to approve, against a back drop of reducing renewable subsidies over in recent years.

Scottish Water agrees with Ofgem that any embedded generator that has been successful in obtaining a capacity mechanism contract should not receive the Capacity Market Supplier Charge (CMSC) benefit, which recovers the costs of the capacity market to any generator that exports between 4pm and 7pm on weekdays, November to February.

We welcome any further information that OFGEM produces on this issue. Thank you for the opportunity to comment.

Yours sincerely,

Julie McKinney
Energy Strategy Policy & Regulation Specialist