

Andrew Self
Ofgem
9 Millbank
London
SW1P 3GE

13th April 2017

Dear Andrew,

RE: Minded to decision and draft Impact Assessment of industry's proposals (CMP264 and CMP265) to change electricity transmission charging arrangements for Embedded Generators

Thank you for the opportunity to respond to the consultation on the proposed changes to electricity transmission charging arrangements for Embedded Generators.

Anglian Water would like to discourage Ofgem from accepting the changes proposed in WACM4.

Anglian Water is a company providing water and water recycling services to more than 6 million customers in the east of England and Hartlepool. As part of our operations we have an annual electricity import of 630 GWh. We also have embedded generation assets on our operational sites, including standby diesel generation, biogas CHP, wind and solar. Our generating assets have the ability to offset some or all of the power demand on our sites, and export any remainder onto the local distribution networks.

We are concerned that the consultation has highlighted these changes would result in an **overall increase in the Loss of Load Expectation (LOLE)**. Anglian Water has over 6500 electricity supplies throughout our region, and the security of electricity supply is a key concern of our business. National Grid has estimated that there is currently around 7.5GW of embedded generation that dispatches at peak periods. The changes to the dispatch of this significant level of embedded generation could create a great deal of additional uncertainty over when this generation will run - not just after 2020/21, but also during the 3 year phased period that has been proposed.

Embedded benefits have also been a key factor in driving business cases in renewable energy generation and flexibility of Demand Side Response (DSR). A significant reduction in the level of embedded benefits, as proposed in WACM4, is likely to impact upon the future growth in these areas. This would limit the response and overall benefit that demand side providers like Anglian Water could offer in the future.

By looking at all of the proposed modifications, it is clear that there is a large range of figures for the proposed values of 'x'. We feel that, for embedded generation to only receive the avoided GSP investment cost would significantly undervalue the benefit that this generation provides at periods of peak demand. Given the uncertainty and disagreement over this value of this benefit, we would prefer to see **little or no change to this value until the level of the benefit is better understood and universally accepted.**

As a company with a large electricity import, Anglian Water does share Ofgem's concerns over the rapidly increasing TNUoS rates. While we accept that embedded benefits are one factor in this increase, significant increases in transmission revenues and the cap on allowable Triad generation charges are also contributing to this increase. Addressing embedded benefits in isolation will result in a significant increase in the net cost of TNUoS to our business, which will cause **upward pressure on our customer's bills.**

Therefore, we suggest that any changes to embedded benefits should be part of a wider review of network charging. If any changes are made in the interim, those options with lower impacts on embedded generation should be considered.

Yours sincerely,



Matthew Pluke

Energy Manager



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