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## **DONG Energy response to the Ofgem Minded to decision on CMP264 and CMP265**

18 April 2017

DONG Energy is one of the leading energy groups in Northern Europe. Headquartered in Denmark, we have an interest in several European markets and cover a wide range of energy sector activities. In the UK, we are the market leading developer and operator of offshore wind farms.

Our ref. Ofgem Response - CMP264+265  
Draft IA

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We welcome the opportunity to respond to Ofgem's minded to decision and draft Impact Assessment on the CMP264 and CMP265. Our views in this response are similar to the views we set out in our response to your open letter on embedded generation, but where possible we have gone into more detail than previously.

We continue to be concerned by the approach set out within your consultation. We have always recognised that the charging arrangements for embedded generators are distorting the market. Our view remains that any changes to these arrangements need to be made on a justified basis, ensuring that generators receive significant foresight of any changes.

In our view changes to the GB framework should follow several principles: changes to the framework should be done based on evidence, and that any changes, as much as is reasonably practicable, should be done while keeping charges predictable and stable. Subject to those criteria, we also support the principle of no grandfathering and ensuring there is a level playing field amongst GB generators.

However, in our view Ofgem's minded to decision on CMP264/265 does not fit these criteria. We are concerned that your decision on CMP264/265 seeks a way to limit the benefits that embedded generators can earn, but does not address the fundamental impact of how embedded generation impacts the transmission network, and the cost-reflective charges they should face as a result.

In our view, your decision to retain locational charges but limit the transmission demand residual charge to the cost of avoided GSP investment does not

accurately reflect the impact and nature of embedded generation. Without firm evidence our view is that it would be more appropriate to take other steps, such as freezing the value of the transmission demand residual.

Our ref. Ofgem Response -  
CMP264+265 Draft IA

Fundamentally, we view that the nature of embedded generation and its impact on the transmission network needs to be considered holistically. We will set out our views in more detail on our response to your consultation on the Targeted Charging Review.

We do not have strong views on phasing in changes. In general, our view is that ideally phased changes should be avoided. However, your minded-to decision represents a significant change for embedded generators, and it may be appropriate to avoid a cliff-edge.

If you have any questions on our response, please feel free to contact me (020 7811 1055, [amos@dongenergy.co.uk](mailto:amos@dongenergy.co.uk)).

Yours sincerely

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