

Andrew Self
Head of Electricity Network Charging
Energy Systems Team
The Office of Gas and Electricity Networks
9 Millbank
London
SW1P 3GE

13th April 2017

Dear Mr Self,

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

Community Energy Scotland (CES) is Scotland's national community energy charity supporting the development of confidence, resilience and wealth at a community level through sustainable energy development. Our response to this consultation is on behalf of our 400 members across Scotland, and in particular members in the Outer Hebrides and Orkney where there are large concentrations of community-owned embedded generation.

The overall thrust of our response is that we consider it appropriate to undertake a review of system charging, but that it is unfair and counterproductive to focus this solely on Embedded Generators (EGs). For community generators who fall in this category, the changes will represent a cut of income that will further erode community benefits and furthermore, confidence in new community energy projects following the recent series of adverse UK policy and incentive decisions.

Our members estimate that the proposed change will result in a loss of income to communities of between £1m - £1.6m over the twenty year lifetime of a scheme (based evidence from schemes ranging from 3-9MW). The community projects currently run by our members channel any income received towards the social, economic and environmental advancement of those most in need within the individual communities in which they 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 also affect the amount of support community energy projects can provide to the most vulnerable in our communities, and in turn reduce awareness and engagement in tackling energy issues such as fuel poverty alleviation.

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Empowering Communities

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. We believe that to remove the benefit from all EGs would be counterproductive as it has already been recognised by the NTBM and QMEDC consultations from Ofgem that embedded generation is actually driving most of the innovation on the electricity system.

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 EGs (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.

In conclusion, can we ask that OFGEM seriously consider the repercussions of such a decision for smaller community 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 the different characteristics of embedded generators and reflects the way the system needs to evolve.

Yours Sincerely,



NICHOLAS GUBBINS
Chief Executive

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