

26 October 2018

Chiara Redaelli
Ofgem
Systems and Networks
Energy Systems Transition
10 South Colonnade
London E14 4PU

By email: flexibility@ofgem.gov.uk

Dear Chiara

Enabling the competitive deployment of storage in a flexible energy system: Changes to the electricity distribution licence.

Having responded to Ofgem's previous consultations on proposals to extend the prohibition on electricity distribution licensees operating generation to include licence exempt generation and having also met with Ofgem to discuss our concerns about how the proposal could impact the operation of our district heating business we are concerned that the proposed drafting of exemptions does not achieve what was intended.

To recap, BUUK owns and operates two electricity (IDNO) distribution licensees: The Electricity Network Company Ltd and, Independent Power Networks Ltd. In addition, BUUK owns and operates other affiliate utility business. One of its affiliates, Metropolitan Limited, is a district heating business which, although legally separate from the IDNO licensees, is managed under the same corporate structure. Metropolitan, as part of the district heating business owns and operates generation in its energy centres, and not as part of the operation of the distribution network.

Our concerns are in two areas. The first relates to how and what exemptions will apply to licensees in respect of generation owned and operated by its affiliate CHP business. (Also, we think the point on what distributors are specifically exempt from applies generally to the other categories). The second point but relates to how the exemptions will apply to licensees providing generation as a temporary solution to new developments.

Ownership of generation by an affiliate for CHP

In previous discussions we understood that an exemption would be considered (on a site by site basis, and not as a general consent), where it could be demonstrated that the affiliate's ownership and operation of the generation was for the purpose of operating the CHP network and separate from an IDNO's operation of its distribution network – as set out in paragraph 1.11 of the draft guidance.

On reviewing the drafting of condition 31D and the associated draft guidance we are unclear how such exemption would work in practice. Whilst the guidance sets out circumstances where an exemption would be granted to the licensee for operating generation (we believe a Category C exemption would be required for the operation of CHP), we do not think the exemption as drafted includes an exemption from complying with Condition 31B and Condition

31C (the requirements for separation and the need to appoint a compliance officer). This was the key concern for us when we originally engaged with Ofgem.

We think this limitation also applies to other categories of exemption set out in the draft guidance. We believe that the condition 31D and the guidance needs to be clear that the exemption also includes an exemption from being required to comply with SLC 31 B and 31C.

Use of generation for New Connections

Operating as an IDNO, there are many circumstances where a new development is supplied by a generator pending the completion of connection or reinforcement works on the IDNO or on the upstream DNO network. Prohibition on a distributor to provide such generation would be of significant detriment to consumers, who could be delayed from moving into their new homes. We believe that an exemption to allow such temporary generation to be used for new developments should be permitted and explicit under Class B. The Emergency response exemption in paragraph 2.13.2 appears to fall short of allowing generation in these circumstances.

We believe that generation to connect new homes is used widely as a temporary measure and is not an issue that is specific to IDNOs.

I would be more than happy to meet with your team to explain our concerns in detail if that would help.

Yours sincerely

Mike Harding
Regulation Director