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Dear Judith

ElectraLink's response to Ofgem's Targeted Charging Review Consultation

ElectraLink welcomes the opportunity to respond to Ofgem's Targeted Charging Review. We believe that this consultation raises important questions on how the GB's energy industry will need to continue to adapt to a significant change to generation and consumption practices, as it moves towards a smart, flexible energy system. Within our response, we would like to address directly how Ofgem will continue to encourage renewable generation in the light of any changes to small embedded. We would also like to discuss our suggested structure of the Charging Coordination Group (CCG), discussed within the consultation.

ElectraLink is the operator of the industry Data Transfer System (DTS). ElectraLink anticipates continuing to support the electricity market by enhance the scalability of the DTS to accommodate this additional traffic from mandatory half hourly settlement and faster switching. This dataset is unique as it provides a single source of data on the level of embedded generation by type and location. We believe that this should be used to help inform the development of any charging regime.

We currently provide code administration services to the Supply Point Administration Agreement (SPAA), Distribution Connection Use of System Agreement (DCUSA) and Smart Metering Installation Code of Practice (SMICoP) as well as providing administrative services to the Community of Meter Asset Providers (CMAP) and facilitating the Distribution Charging Methodologies Forum (DCMF) on behalf of the Energy Network Association (ENA).

As the energy market has started a transition towards a low carbon economy there has been an increasing shift towards renewable and low carbon generation. Our data shows that a significant proportion of renewable generation is connected to the DNO networks, and this is increasing, particularly for wind and photovoltaic generation. Our heat maps have also identified that generation technologies appear to cluster in certain areas. Given this increasing volume of embedded generation we believe it is appropriate to undertake a holistic review of the charging arrangements across both the transmission and distribution system. This review should look to assess whether previous charging principles still stand and ensure that common charging principles are applied across both regimes, where appropriate. This should help to ensure that there are no perverse locational incentives; and potentially reduce complexity.

In our role as the code administrator for DCUSA and facilitating the DCMF, we are aware that there is a significant amount of work that is already taking place within the remit of distribution charging, including a review of the charging methodologies. In addition, there will also be developments to the CUSC charging arrangements and the TSO-DSO interface as part of the standard industry processes. All this work will interact with any charging review initiated by Ofgem. To aid discussions, we believe that representation under the proposed CCG, should include the relevant code administrators to aid co-ordination and planning as well as providing impartial and consistent feedback to any working groups.

ElectraLink supports the work of the Common Distribution Charging Methodology (CDCM) and Extra High Voltage (EHV) Distribution Charging Methodology (EDCM) review. This review sits under the DCMF. Stage one of the report ¹ highlighted the areas which the review would consider:

1. Types of costing models;
2. Tariff structures;
3. IDNO charging arrangements;
4. New products (e.g. Storage); and
5. CDCM and EDCM Combined Methodology.

These areas included within the charging review would be effected by the SCR which Ofgem is considering. ElectraLink would therefore like to work closely with Ofgem to develop thinking in this area, noting that some change proposals under the DCUSA have the potential to be delayed by Ofgem's process. To ensure industry changes are progressed in a timely manner, ElectraLink would want to be included in any potential coordination group, playing into our role to push industry change.

We wanted to also address how storage could be defined. The current arrangements for storage provide uncertainty for investors as the lack of differentiation between the asset as demand or capacity increases the risk on return. This uncertainty is increased further when storage assets are embedded with existing generation assets. ElectraLink understands that the current arrangements can mean that investors are discouraged from adding storage to generation sites as this can lead to uncertainty regarding the ongoing return from the original investment (the site is no longer seen to be a standard generation asset). In our view, what is required would be to clearly define storage as either generation or demand and then apply the appropriate network charging mechanisms. This will enable the return profiles to be calculated on the lowest risk basis and encourage further investment.

ElectraLink would support further debate over the coming years on the following topics:

- How the regulatory framework will support an energy market with increased connections of small embedded generation?
- Whether there are improvements to current charging methodologies that could be made outside an SCR, to ensure costs are born by those who utilise the market?
- How to further develop cross code collaborations between Secretariats and market participants

We welcome any opportunity to engage directly with Ofgem on how these questions may be addressed.

¹ Extra-High-Voltage Distribution Charging Methodology (EDCM) Review Group

<http://www.energynetworks.org/electricity/regulation/distribution-charging/distribution-charging-working-groups.html>



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For clarity, we have listed the questions within the consultation which we wanted to address, with an individual response to each. We have not included any questions where we have no strong opinion.

Thank you for the opportunity to provide our feedback. Should you have any further questions, contact Alexandra Moore at Alexandra.Moore@electralink.co.uk; who would be happy to discuss our response.

Kind Regards

Stefan Leedham
Acting Head of Governance Services

ElectraLink Response to Ofgem's Targeted Change Review Consultation

Question 6: Do you agree that our proposed principles for assessing options for residual charges are the right ones? Please suggest any specific changes, or new principles that you think should apply.

Electralink support Ofgem's proposed principles for assessing options for residual charging by reducing distortions, and making proportional and practical considerations. ElectraLink would support such measures to ensure that the energy market is fair for all market participants.

As part of an additional principle, ElectraLink would suggest that to meet the government's targets for decarbonisation of the energy network by 2050², due consideration is given to ensuring renewable generation connections are still encouraged. Our data suggests that as of April 2017 there were over 3500GWh of connections from embedded generation.

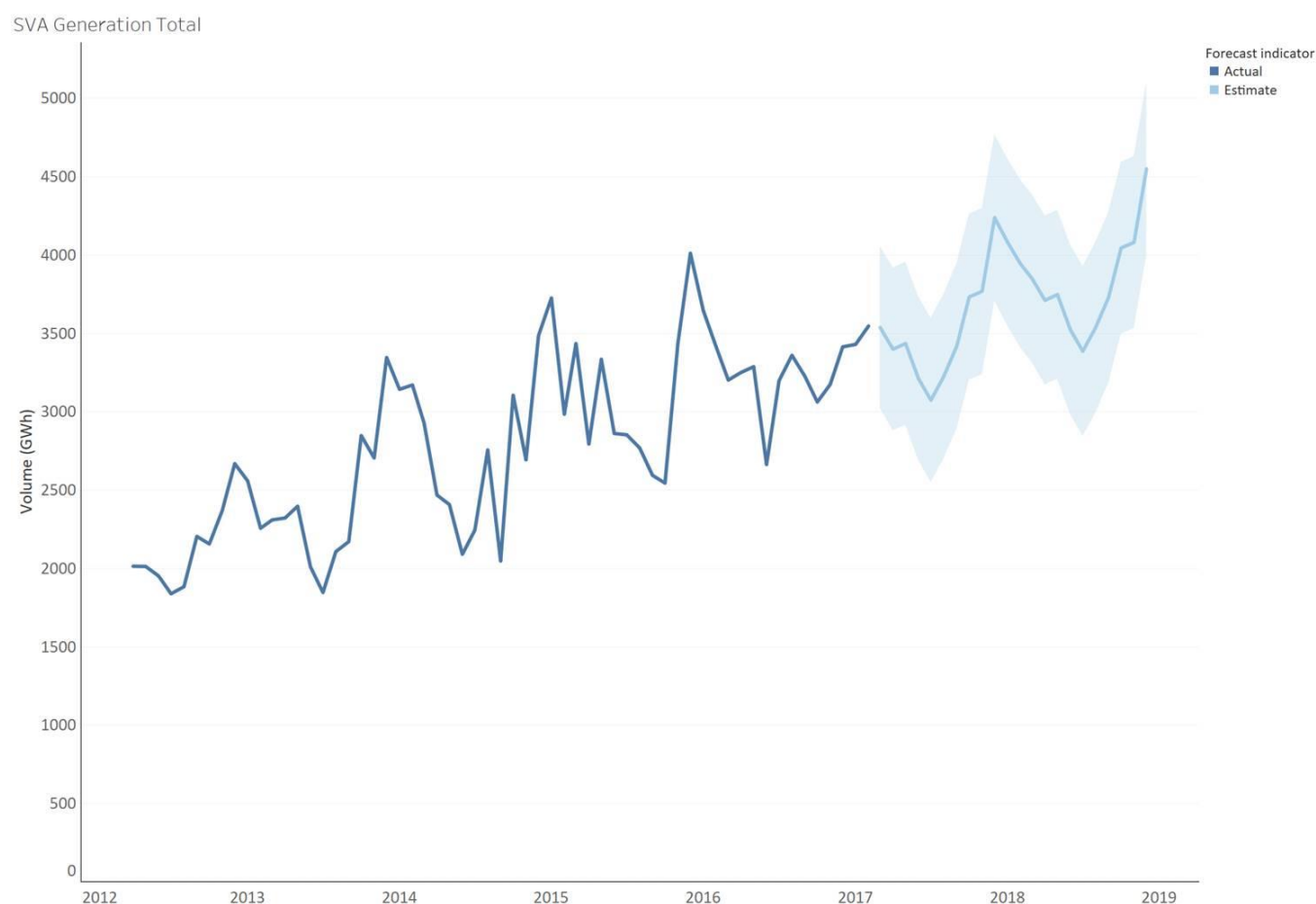


Figure 1: Volume of total connected embedded generation

² The 2050 Challenge, <https://www.gov.uk/guidance/2050-pathways-analysis>

Most of these connections are from renewable sources (see Figure 2) and from the predictions for embedded connections, we can see for the next couple of years (see Figure 1), this should only increase. We can understand that this trend for renewable generation will also be seen for small embedded connections.

SVA Generation by Type (Grouped)

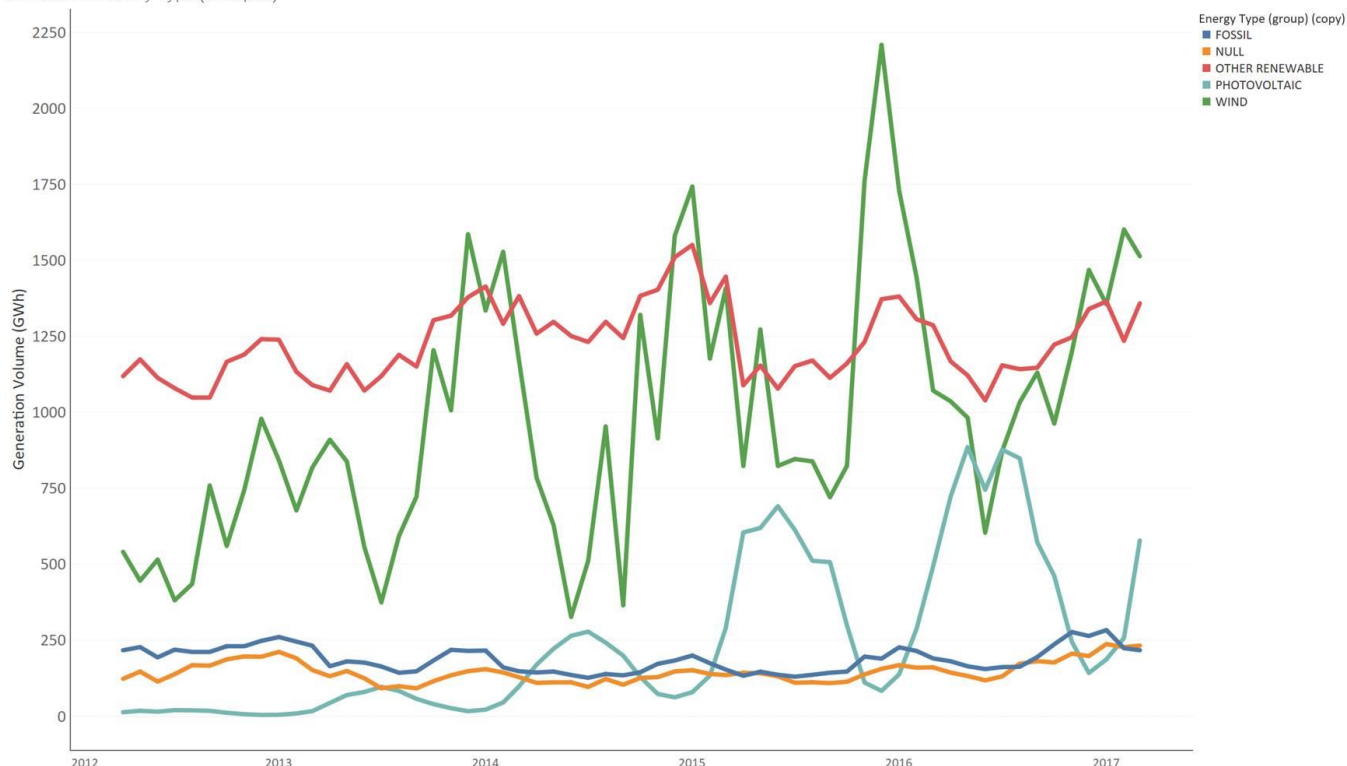


Figure 2: Different Types of Embedded Generation by GWh connected

Reductions to Feed in Tariff rates for new installations from January 2016, as well as changes to renewable subsidies since 2015³, have created some uncertainty for investors in renewable technologies.

As part of keeping any changes fair, ElectraLink believes it would be valuable for Ofgem to consider ways that small embedded renewable generators can continue to be supported, as they play a key role in helping to meet decarbonisation targets.

³Changes to renewable subsidies, <https://www.gov.uk/government/news/changes-to-renewables-subsidies>



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Question 12: Do you think we should do further work to analyse the potential effects of the charging arrangements for smaller EG (called 'embedded benefits')?

As has been stated above, ElectraLink would suggest that there is consideration made to support small embedded generators, which are helping the government meet their commitment to meeting decarbonisation targets of the UK's energy network.

Question 13: Do you think changes are needed to the current charging arrangements for smaller EG, and when should any such changes be implemented?

Electralink would support measures which ensure that all network users are treated fairly. However, we would advise that any such changes do not discourage smaller Embedded generators from connection to the network.

Question 20: We would welcome your thoughts on the potential make-up of a CCG. Please refer to the potential role, structure, prioritisation criteria and assessment criteria.

Electralink strongly support the introduction of a CCG. We have engaged directly with both the Energy Networks Association (ENA) and National Grid on this issue.

ElectraLink believes that a high-level group would be required to ensure that a SCR is correctly managed. Ofgem will note that there have previously been issues where change proposals which would significantly affect other codes were not picked up, such as P272 for Half Hourly settlements.

We have developed a template of what we believe the CCG could look like:

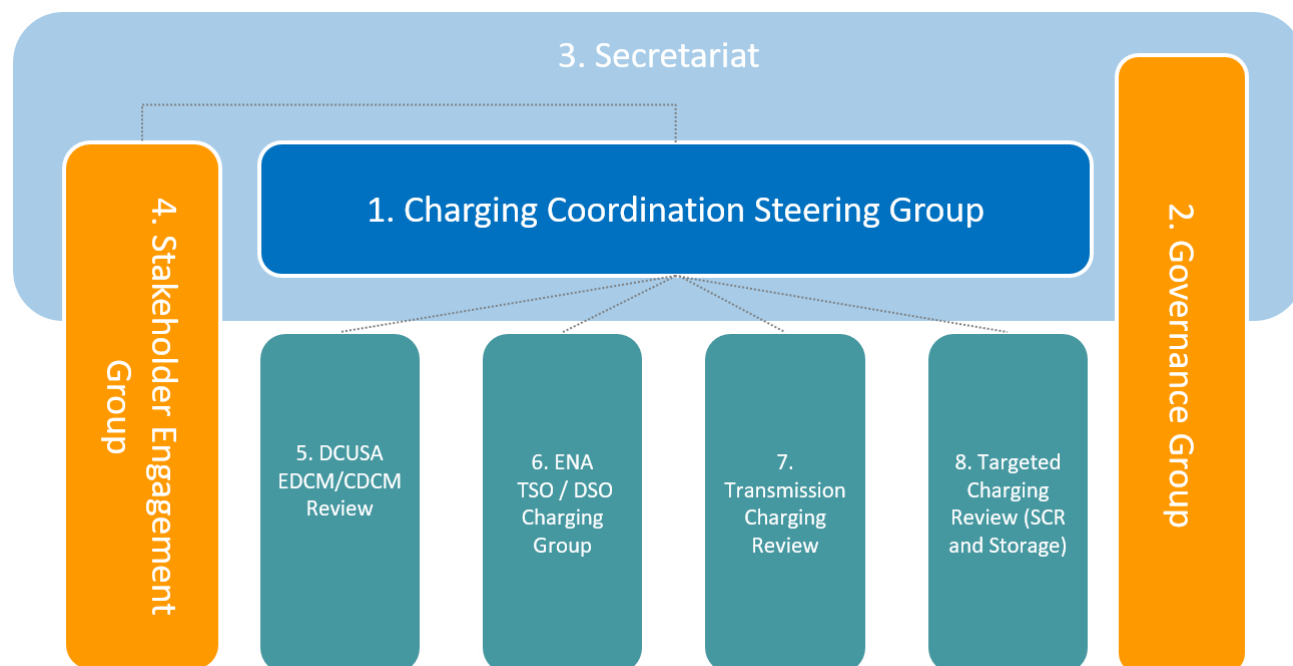


Figure 3: Electralink's proposal for a Charging Coordination Steering group

We have listed what the focus of each group would be and have indicated the size of each group:

1. **The Charging Coordination Steering Group (CCSG):** Maximum of 20 members. This group would preferably meet every quarter and would provide guidance for prioritisation of the work required for the review.
2. **Governance group:** Maximum of 10-15 members. We propose that this group would sit at a high level and include representatives from the reviews that sit below the CCSG. As we would want this group to be transparent to industry, ElectraLink would also recommend inviting panel members from other industry codes, so that they have sight of any work in a centralised place. We would suggest the focus of the group would be to ensure there is cross industry visibility of any code changes that might impact other codes. We hope that the existence of this group would avoid any repetition of work and ensure industry change is progressed in a timely manner.
3. **Secretariat:** ElectraLink would recommend that the three groups (see Figure 3) surrounded by a light blue background, would be covered by one secretariat. We believe that this would help provide consistency of the message to industry.
4. **Stakeholder Engagement Group:** There would be no limit to participation. This group would follow a similar principle to that of the Governance group in ensuring transparency of the review process. As has been discussed both with National Grid and ENA, this group would ensure that interested parties which might otherwise not have the time or resources to attend multiple meetings throughout the year, would have an opportunity to be involved in the work of the CCSG. This stakeholder group would also feedback into the CCSG and take the form of a workshop. The stakeholder group would meet when required.



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Overall, ElectraLink believe that having these groups under the umbrella of a CCSG, would ensure that there was complete transparency of the process. We also believe that by having these more centralised groups, this would help to alleviate workload of attending multiple group meetings.

ElectraLink would also like to state that as we hold roles within the industry not only as a Code Administrator but also having the Data Transfer Network, we would be in a strong position to provide both analytical support and secretariat.

Question 21: Do you agree with our proposed delivery model, including its scope?

From attending Ofgem's workshop on the content of this consultation on 26 April 2017, ElectraLink note that Ofgem's original proposed delivery model for this work has been adapted to that originally proposed within the consultation document. We welcome further development of the model in the coming months.

Question 22: Do you agree that our proposed SCR process is most appropriate for taking forward the residual charging and other arrangements for smaller EG discussed in this document?

ElectraLink agree that an SCR would address residual charging and other arrangements for smaller EG. ElectraLink would also welcome the opportunity to work with Ofgem to see where within the codes we look after could address EG within our change proposals.

ElectraLink would like Ofgem to note that some Change Proposals have been effected with the proposal of a SCR so would welcome further engagement to ensure that all industry changes are progressed in a timely manner.