

18 September 2018

Jon Parker
Head of Electricity Network Access

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Dear Jon,

This letter contains Welsh Power's response to OFGEM's Getting more out of our electricity networks by reforming access and forward-looking charging arrangements consultation.

Background

Welsh Power Group is a privately-owned energy company with a strong track record in the development, construction and operation of both conventional and renewable power generation projects. The company has owned large thermal generating plant, Uskmouth Power; developed and financed a new build 850MW CCGT, Severn Power; established a successful energy supply business, Haven Power; and constructed a small 50MW peaking portfolio which it sold to Alkane Energy in July 2014.

Since 2014 Welsh Power has been working in partnership with an investor to bring forward a portfolio of new flexible, efficient, gas-fired generating capacity to the UK market. Welsh Power currently has over 400 MW of gas-fired embedded generating capacity either operational or under construction across 25 sites and 6 DNO regions. These are connected at EHV and (fewer) at HV so we have operational familiarity with EDCM and CDCM network charges.

Furthermore, in order to improve our knowledge of the EDCM and CDCM before responding to this consultation we have reviewed in detail DCUSA schedules 16, 17 and 18 on the CDCM and EDCM methodologies.

Our development efforts continue and to that end, in the last year we have submitted approximately 60 grid connection applications on targeted sites following analysis of DNO's publicly-available network information. We therefore also have operational experience with the grid connection application process.

Summary

Work commissioned by Ofgem and carried out by Baringa highlighted 3 key 'material issues':

- a) *Ensuring access and charging arrangements for small users are ready for the uptake of Low Carbon Technologies;*

- b) *Ensuring that access for distribution-connected generation and storage is properly valued and signalled to users; and*
- c) *Aligning access and charging between transmission and distribution, and across voltage level boundaries*

For the first, we can see that OFGEM needs to take action. Our concern is that confusing (in the eyes of the householder) definitions based on import capacity, and higher capacity charges for low-carbon technologies are seen as a barrier to entry for EVs and heat pumps and we encourage OFGEM to avoid that situation wherever possible.

OFGEM have outlined several proposals on the second point. However, on the basis of our operational experience, we disagree with Baringa that there is a need for change. DNOs continue to do good work in this area and have already introduced:

- i. Alternative connection options including time-profiled connections and flexible connections
- ii. Contractual mechanisms to prevent developers holding on to capacity on projects that aren't moving forward
- iii. Design charges for connection applications

They have also started work on DSO-procured ancillary services which we support. We do not think OFGEM need to prioritise work in this area as opposed to allowing time for the introduction of design charges to bed in.

On the final point, we are very disappointed and are strongly against OFGEM's proposed exclusion of the most material considerations in this category. Our view is that these are the shallow connection boundary for transmission-connected plant – we think new connectees should pay upfront for wider reinforcement they cause like they do at distribution level – and the Connect and Manage policy, which although once useful, we do not see as fit for purpose with the levels of generation we now have on the system. We urge OFGEM to take action here to avoid another problem building up again in the future. We also consider that the socialisation of BSUoS costs relating to constraint management should be reviewed as a matter of priority.

We suggest in our consultation response that an interim step to remove the Statement of Works process for distribution-connected generation may be a desirable way of partially levelling the playing field. We see this as similar to the Connect and Manage policy offered to transmission and think it could be introduced comparatively quickly.

At distribution level we disagree that a *comprehensive* review of DUoS charging is necessary and think that it would be destabilising to industry and extremely challenging to implement. Our consultation response draws on our experience of operating with the CDCM and EDCM charging methodologies and goes into considerable detail on the strengths and weaknesses of them. In summary, our view is that:

1. The EDCM high-level aim is fundamentally correct and does not need reviewing
2. Generation at HV should be moved into the EDCM, which already calculates nodal data at 11kV busbars
3. Inconsistencies in the application of the EDCM should be ironed out as soon as possible by approval of DCP 313.
4. The EDCM LRIC model has advantages over the FCP model and should be adopted by all DNOs to improve predictability without introducing zones or any other 'simplification' concept that will result in inefficient outcomes.
5. The balance between usage-based charges and capacity-based charges is correct for the EDCM but could be reviewed for the CDCM

The following table summarises our proposed approach:

Covered in SCR by OFGEM	Covered outside SCR by industry	Not reviewed
Reviewing options to improve definition of access rights for small users	Continuing work on choice of access rights	Principles of EDCM methodology
Reviewing options to improve definition of access rights for large users	Continuing work on allocation of access rights	EDCM tariff structures
Targeted review of CDCM, including moving generation at HV to EDCM	Continuing work on effective queue management	Forward-looking TNUoS charging arrangements
Targeted review of consolidating DNOs to one EDCM methodology that is consistently applied less prone to variability	Non-firm connections at transmission	Distribution connection charging boundary
Review of transmission charging boundary		
Review of socialisation of BSUoS constraint management charges		
Review of transmission Connect and Manage policy		

SPECIFIC CONSULTATION QUESTIONS

Question 1: Do you agree with the case for change as set out in chapter 2? Please give reasons for your response, and include evidence to support this where possible.

Yes, we agree. However, we would caution against introducing concepts that are – or could be perceived to be – barriers to things we collectively want, for instance EVs and heat pumps. If, therefore, the threshold over which a domestic customer is deemed to need additional import capacity could be set above the level required by the majority of heat pumps, then we consider that would be more supportive of the Government's low-carbon policies than increasing the complexity of the customer journey for all customers with heat pumps.

We would also caution against making changing where things aren't broken and/or there is little chance of improving the status quo to avoid eroding investor confidence and introducing the potential for unexpected outcomes. For instance, we believe the long-run incremental cost (LRIC) model used to determine EDCM charges is in this category and does not need an overhaul as we will explain later in our consultation response.

Question 2: Do you agree with our proposal that access rights should be reviewed, with the aim to improve their definition and choice? Please provide reasons for your response and,

where possible, evidence to support your views.

We agree that having clear definitions is a sensible and important step, however we don't see a need for a review to improve choice. DNOs have already done extensive work on alternative connection arrangements and we consider that their work should continue and be encouraged but that OFGEM does not need to intervene. SSEN, for instance, have a good list of alternative generation connections that are available to the developer [here](#). UKPN similarly offer the developer a [good range](#) of options that may be attractive for particular technologies.

Question 3: Specifically, do you have views on whether options should be developed in the following areas as part of a review? Please give reasons for your response, and where possible, please provide evidence to support your views:

- a) *Establishing a clear access limit for small users, with greater choice of options (as considered under b) and c) below) above a core threshold – do you agree with our proposal in paragraphs 3.5-3.10 that this should be considered? Do you have views on how a core threshold could be set?*

The 'core level' should be as high as possible so as not to complicate the customer journey for the move to low-carbon technologies whenever it is possible to do so. For fast-charging EVs, this may be difficult and therefore a new connection definition may be required; for a 15kW(th) heat pump with a maximum demand of 5-7kW(e), it may be possible to avoid a new definition of access limit for many years to come.

- b) *Firm/non-firm and time-profiled access – do you agree with our proposal outlined in paragraphs 3.15-3.21 that these options should be developed?*

Firmness is particularly important to define as any definition will be the forerunner to further improvements (e.g. compensation for curtailment) as the consultation points out. We agree with the concept of 'financially firm' at distribution level and non-firm and time-profiled access at transmission level. Our experience from operating a portfolio of assets is that some DNOs constrain off generation whenever it is convenient for them to do so, so in effect we are providing them a free service. Improvement to the definition of firmness should aim to improve fairness and transparency in this area.

We note that time-profiled access rights exist already at distribution level (see the links above) and we suggest DNOs continue to develop these, rather than OFGEM intervening.

- c) *Duration and depth of access, discussed in paragraph 3.25-3.32 - would these options be feasible and beneficial?*

We consider both the short- and long-term access rights proposals low priority compared to others in the consultation. In particular, we cannot see that short-term access rights will be attractive to many users and in the face of so much change in the networks and electricity system more generally we are uncertain of what benefit long-term but time-limited access rights would provide. Our developments are typically planned for 25-30 years (i.e. longer than the duration of capacity market

agreements) so we would require access rights for at least this duration. We strongly oppose the concept of financial commitment to guarantee the duration of access rights that have been paid for by the project already.

- d) *At transmission or distribution in particular, or are both equally important – as discussed in this chapter?*

Our view is that from the perspective of access arrangements the goal of transmission- and distribution-connected generation and demand being aligned (as suggested by Baringa) is correct. To this end, we can see why OFGEM are suggesting the shallow access rights afforded to transmission are mapped across to distribution. However, we cannot see how 'local' or 'shallow' access rights could work in practice at the distribution level. We can see inefficient outcomes resulting from there being no financial disincentive (through higher upfront connection charges) for new generation connecting to an already constrained part of the distribution network. We do not, therefore, think that shallow access rights should be progressed as part of the proposed review.

Our strongly-held view is that both shallow access charges at transmission level and the Connect and Manage policy should be included in this review and reviewed urgently. We cannot understand why Ofgem are seeking to exclude this at the same time as pointing out the obvious inequality between these policies and the situation at distribution level and their costs (£121.7m for Connect and Manage). This is one of Baringa's top priorities for action. To enable a level playing field, we think transmission-connected generation should pay for wider reinforcement costs rather than these being socialised and that the transmission network is now so constrained in some areas that the Connect and Manage policy is no longer appropriate. Rather than the Western HVDC link being a reason to do nothing, we think now is an important time to remove the incentive for developers to continue to plan projects in constrained parts of the network and reap the benefits. We also think that the costs of managing constraints in BSUoS should become locational for the same reason.

As an interim step to partially level the playing field, we think a positive (and quicker-to-implement) development would be to remove the statement of works (SoW) process for distribution-connected generation. The SoW process is the process by which DNOs formally ask National Grid if they are able to connect a batch of new generation to their network. In response, National Grid can delay projects and add costs to the connection; South Wales is the best-known example. In some areas the new generation is accepted but only following the installation of constraint panels that can reduce export in the event of, for example, reverse power flow through a super grid transformer being close to operational limits. We think a good interim step would be to remove the SoW process in favour of a Connect and Manage-style policy whereby new generation is connected and constraints are managed either by accepting bids from BMUs connected to the same part of the transmission network or, if a constraint can only be managed at distribution level by using currently-in-use constraint panels and compensating generators according.

We do agree that there is a benefit to matching supply and demand at local levels and this is exactly what we aim to do when we are developing new projects. In practice, this is often all that is possible since embedded generation capacity is often limited to the capacity of the circuit it is connecting to and in turn that circuit is sized

to the downstream demand. And moreover, effective forward-looking charges promote generation where demand approaches the capacity of network components such as circuits. We agree that a charging-based approach is preferable.

One specific observation related to matching generation and demand and maximising the use of the network is that DNOs often specify points of connection in a circuit immediately downstream of a substation rather than to a new circuit breaker within the substation. Doing so may be cheaper but sterilises the circuit from further generation that could otherwise have been installed many km away and serve as reinforcement for that circuit. On the basis that it is a good thing for generation to be as embedded as possible, we think DNOs should be encouraged to absorb any additional costs incurred in avoiding this sterilisation and therefore remove this practice.

Question 4: Do you agree with the key links between access and charging we have identified in table 1? Why or why not? Do you think there are other key links we have not identified? Where possible, please provide evidence to support your views.

For varying firmness and time-profiled connections, we think the avoided connection charges these attract already provide the incentive to take these up. We cannot see why it is appropriate or necessary for use of system charges to further incentivise these connections.

For duration, we think the LRIC model in the EDCM will already adequately reflect the benefit of a duration-limited connection where the point that future reinforcement is needed is not reached. We believe this can be achieved using the current framework used by the DNOs that use the LRIC model. We do not think that evergreen access rights should attract an upfront or early-exit charge because the cost of the connection has been paid for by the user already.

If one electron is one electron, we cannot see why shallow or local access rights should benefit from different use of system charges. To do this would be creating a market distortion.

Question 5: Do you agree with our proposal that targeted areas of allocation of access should be reviewed? Please give any specific views on the areas below, together with reasons for your response. Where possible, please provide evidence to support your views:

a) Improved queue management as the priority area for improving initial allocation of access, as outlined in paragraphs 3.41-3.44?

b) Not to consider the potential role of auctions for initial allocation of access as part of a review at this time, as discussed in paragraph 3.44?

c) To review the areas outlined in paragraphs 3.45-3.48 to support re-allocation of access?

Our view is that the consultation is focussing on the wrong area. We think the priority area for action should be to remove the Connect and Manage policy that is currently distorting the market in favour of transmission-connected plant rather than to consider introducing it (in the future) for distribution-connected generators. We do not think that Connect and Manage is useful any more at transmission or distribution level and furthermore it would make life extremely challenging for DNOs, who we can

see struggling to keep up with the volume of developments on their networks.

In our response to question 3(d), we set out what we consider to be an attractive partial levelling of the playing field by removing the Statement of Works process for distribution-connected generation in favour of a Connect and Manage-style arrangement. We encourage OFGEM to consider this proposal further.

We do not think OFGEM needs to consider queue management in this review rather than encourage DNOs to continue the good work they are already doing in this area. Following the introduction of design charges we have heard positive feedback from DNOs that the 'heat' has been taken out of this area by reducing speculative applications. This will reduce the size of the queue. And in any case all DNOs that we are engaging with already provide a clear timeline that they expect a project to progress along within their connection offers and as long as this is reasonably policed, we do not see the need for action. An example Milestone Table from a recently-received UK Power Networks quote is shown below.

Milestone Table

#	Milestone Description	Date by which the Milestone must be completed and evidence of its completion provided to UK Power Networks
	The evidence to be provided to UK Power Networks for each of the above milestones is available here :	
1	You have submitted an application for planning permission for the development of your Site. Evidence required	Quote Date + 150 days = by 5pm on 31 December 2018.
2	You have received planning permission for the development of Your Site. Evidence required	M1 Date + 365 days = by 5pm on 31 December 2019.
3	You have obtained the necessary Land Rights for the development of Your Site. Evidence required	Quote Date + 150 days = by 5pm on 31 December 2018.

#	Milestone Description	Date by which the Milestone must be completed and evidence of its completion provided to UK Power Networks
4	Where applicable to the development of Your Site the Statement of Works process has been completed with the Transmission System Operator. In particular, you will: <ul style="list-style-type: none"> have initiated and continued the process (including a separate application to the Transmission System Operator if applicable; have made the necessary payment(s) to UK Power Networks in connection with the Statement of Works; 	Project specific = by 5pm on 01 April 2019.

	<ul style="list-style-type: none"> • have accepted any corresponding variation to the Quote or contract offers resulting from the Statement of Works; and • be maintaining the relevant financial securities with the Transmission System Operator. <p>Evidence required</p>	
5	<p>If applicable, You have submitted a compliant design for the Contestable Connection Works.</p> <p>Evidence required</p>	Expected Completion Date – 180 days = by 5pm on 01 November 2018.
6	<p>You have commenced and are diligently progressing with the Contestable Works (if applicable) and Your development.</p> <p>Evidence required</p>	Expected Completion Date – 60 days = by 5pm on 01 March 2019.
7	<p>You have completed the construction of the generating facility.</p> <p>Evidence required</p>	Expected Completion Date – 30 days = by 5pm on 31 March 2019.

Our view is that a better focus for the review would be on reducing the 65 working days allowed to DNOs to provide connection offers. This would also have the benefit of reducing the number of outstanding connection offers at any time and make developers more competitive when competing for land with other users.

We agree that auctions are not appropriate for this market.

In terms of ‘use it or lose it’ or ‘use it or sell it’ approaches, as above we think DNOs have already added clauses to their connection offers to ensure this is the case and therefore that OFGEM does not need to take action. We do not support any practice that promotes speculative development with the intention of selling on rights.

We also think DNOs are the right organisations to lead work on the potential to trade capacity once assets are built. A key step in this work will be to ensure generators are adequately linked up. At the moment there is little visibility of who else is connected to a particular part of a network. We encourage OFGEM to leave DNOs to continue to progress this area.

One practical area that we think is worthy of review by OFGEM or DNOs is the property rights they require when adopting assets. Our experience is that these are enormously variable: some DNOs we have worked with have caused considerable delays to the energisation of developments owing to (in our view) unnecessarily draconian land rights requirements that in many cases are inconsistent with rights they have over their existing neighbouring assets. Property rights are important but we think it is important they work within the realms of commercial reality.

Question 6: Do you agree that a comprehensive review of forward-looking DUoS charging methodologies, as outlined in paragraphs 4.3-4.7, should be undertaken? Please provide reasons for your response and, where possible, evidence to support your position.

We understand comprehensive to mean every aspect of DUoS charging including cost allocation, CDCM methodology, EDCM methodologies, tariff structures and their application. We do not think a review of this breadth is practical from a timely

implementation perspective or necessary. Furthermore, it would be highly destabilising for investor confidence and will create the potential for unintended consequences given the complexity of the issues. We strongly recommend OFGEM narrows the scope of the proposed DUoS review as follows:

- We do agree that the CDCM is a relatively blunt instrument from the perspective of encouraging efficient outcomes. Our proposed solution is to move HV-connected generation to the EDCM, which already calculates GDUoS rates at 11kV busbars. Doing this uses an already-established methodology based on sound principles and, crucially, should allow implementation in a sensible timeframe.
- The EDCM is implemented through two different methodologies – the Long-Run Incremental Cost (LRIC) model, which determines the incremental cost of reinforcing a network branch due to an increment at a node by calculating the difference in the NPV of reinforcing the branch under base and incremental conditions. This is used by:
 - Eastern Power Networks
 - London Power Networks
 - South Eastern Power Networks
 - ENWL
 - NPG (Yorkshire)
 - NPG (Northeast)
 - WPD (South Wales)
 - WPD (South West)

and the Forward Cost Pricing (FCP) model, which estimates load-related reinforcements based on an extrapolation of historic demand over a 10-year time horizon and uses them to estimate costs and therefore charges. This is used by:

- SHEPD
- SEPD
- SP Distribution
- SP Manweb
- WPD (East Midlands)
- WPD (West Midlands)

Welsh Power checks GDUoS charges applied to our projects by looking up nodal data. We have found that the calculations applied by different DNOs – even within the same methodology – are inconsistent. In most cases our asset correctly receives the credit that has been calculated; however, if a GDUoS credit is calculated by the FCP model in SEPD's region, our asset receives nothing. It is therefore the case that SEPD are not promoting the sensible location of generation at all. We strongly recommend OFGEM takes urgent action on this inconsistency by implementing DCUSA change proposal (DCP) 313, which we have been working on with our industry partners for some time.

- Aside from the inconsistency in the treatment of generation by at least one

DNO, we believe the aim of the EDCM calculations – to look at future costs of reinforcement and apply charges accordingly – is correct and should be excluded from OFGEM's review.

- Following our own review, we have concluded that the LRIC methodology is less subjective, less time consuming to calculate and more likely to be robust to unexpected outcomes (like a rapid uptake of EVs or deployment of generation) than the FCP model. This is backed up by anecdotal evidence from examining nodal data on our existing sites and developments, which shows it to be more predictable than the FCP model. The tables below show our estimate of the last three years of GDUoS rates (expressed as £/MWh rather than £/MW) on a selection of our projects:

SEPD Node (FCP model)	Nodal charges effective 1 April 2017 (£/MWh)	Nodal charges effective 1 April 2018 (£/MWh)	Nodal charges effective 1 April 2019 (£/MWh)
ANDE-C	38.21	97.50	0.00
PYES-C1	4.33	2.47	44.35

ENWL Node (LRIC model)	Nodal charges effective 1 April 2017 (£/MWh)	Nodal charges effective 1 April 2018 (£/MWh)	Nodal charges effective 1 April 2019 (£/MWh)
Carlis_33_a	6.987	7.095	7.707

We have reviewed many more nodes than these and draw the same conclusions but aren't publishing the data for confidentiality reasons. Consistent with an examination of the methodologies, the network charges in the LRIC model slowly increase (presumably until reinforcement is carried out or a generator is built to relieve stress on the local network). The FCP model is harder to understand and we think this originates from the fact that reinforcement interventions are manually determined on an annual basis rather than the result of a calculation.

- Our view is that the LRIC model should be used by all DNOs and for all generation connecting at HV and above (instead of the CDCM for HV generation).
- We do, however, think OFGEM's review should include allocation of allowed revenue between the EDCM and CDCM.
- We do not think it is possible to avoid complexity in these models and furthermore we are convinced that moving to a zonal approach would have unintended consequences. We think that moving all DNOs onto the LRIC model will achieve the aim in the consultation of improving predictability.
 - One example in UK Power Networks' network is near Tunbridge Wells. Tunbridge Wells Grid (a Bulk Supply Point) connects to Tonbridge town (a Primary substation) via two ~5km 33kV circuits. These circuits are expensive to upgrade and close to capacity and

accordingly GDUoS rates for Tonbridge Town are very high (~£50/MWh). Tunbridge Wells Grid is much less close to requiring reinforcement and therefore the GDUoS rates are less high (~£15/MWh). Electrically these nodes would likely be classified in the same 'zone'. However, owing to the real-life network configuration, the GDUoS rates are correctly (in our view) multiples apart due to the difference in reinforcement cost and the time to likely reinforcement.

- We do not think it would be appropriate to shift the balance between usage-based charges and capacity-based charges in the EDCM but we think it would be sensible to look at them in the CDCM. The EDCM calculates nodal forward-looking charges in £/MW (i.e. capacity) and the smears them over (mainly) super red band hours to create a charge based on capacity within certain hours. We think this is appropriate. Credits to generators, in our view, should be weighted according to real-life data on how reliably they can generate at peak network usage and conversely demand should be charged according to how consistently it burdens the network at times of peak network usage. The CDCM methodology does not just include forward-looking costs and therefore we think a review is appropriate.

We have a specific point to make on paragraph 4.6. If a user is not using the network in periods of network stress, then we think it is correct that they avoid incurring forward-looking DUoS charges – they are not contributing to the need to reinforce the network. This is the opposite to what the consultation says.

Finally, we have one suggestion: to further smooth usage of networks, OFGEM may consider introducing negative use of system charges (and credits) in periods when network usage is light, for example in the middle of the night. We can see good rationale for this from a network perspective in addition to half-hourly energy pricing, which reflects the cost of generation at different times of day.

Question 7: Do you agree that the distribution connection charging boundary should be reviewed, but not the transmission connection boundary? Please provide reasons for your response and, where possible, evidence to support your position.

We disagree strongly with the exclusion of the transmission-connected changing boundary. To do so fails to tackle one of the most material issues identified by Baringa in their pre-cursor review.

Furthermore, we support the current practice by DNOs (e.g. SEPD) of apportioning reinforcement costs between generators and therefore do not think there needs to be a change to the policy at distribution level. Apportioning costs allows the generator triggering reinforcement to avoid paying for all of the reinforcement upfront (we're not sure OFGEM are aware of this) in favour of the DNO recovering the cost of the reinforcement through second-comer charges.

Our strong view is that the priority for action in this area should be to widen the transmission charging boundary to include reinforcement required by a new connection and that this should be taken forward by OFGEM rather than leaving it to be filibustered by industry.

Question 8: Do you agree that the basis of forward-looking TNUoS charging should be reviewed in targeted areas? If you have views on whether we should review the following specific areas please also provide these:

a) Do you agree that forward-looking TNUoS charges for small distributed generation (DG) should be reviewed, as outlined in paragraphs 4.19-4.23?

b) Do you consider that forward-looking TNUoS charges for demand should be reviewed, as outlined in paragraphs 4.24-4.27? Please provide reasons for your response and, where possible, evidence to support your position.

We strongly disagree. Given we are still in the implementation phase of CMP 264/265, we consider that further action in this area is lower priority than the transmission connection charging boundary, Connect and Manage costs and the non-cost-reflectivity of BSUoS constraint management costs. We think these should be the priority areas for action and taken forward by OFGEM rather than any other industry party.

Question 9: Do you agree that a broader review of forward-looking TNUoS charges, or the socialisation of Connect and Manage costs through BSUoS at this time, should not be prioritised for review? Please provide reasons for your response and, where possible, evidence to support your position.

As per our answer to question 8, we urge OFGEM to acknowledge Baringa's assessment of these areas as priority areas for action and include them in the review from the outset.

Question 10: Do you agree that there would be value in further work in assessing options to make BSUoS more cost-reflective, and if so, that an ESO-led industry taskforce would be the best way to take this forward?

Yes, definitely; but we think OFGEM should lead this work and that it should be incorporated into any review from the outset.

Question 11: What are your views on whether Ofgem or the industry should lead the review of different areas? Please specify which of SCR scope options A-C you favour, or describe your alternative proposal if applicable. Please give reasons for your view.

As will now be clear from reading our consultation response, we do not think that OFGEM needs to review many of the areas that it has highlighted but that there are areas that haven't been included that we think should be.

The following table summarises our proposed approach:

Covered in SCR by OFGEM	Covered outside SCR by industry	Not reviewed

Reviewing options to improve definition of access rights for small users	Continuing work on choice of access rights	Principles of EDCM methodology
Reviewing options to improve definition of access rights for large users	Continuing work on allocation of access rights	EDCM tariff structures
Targeted review of CDCM, including moving generation at HV to EDCM	Continuing work on effective queue management	Forward-looking TNUoS charging arrangements
Targeted review of consolidating DNOs to one EDCM methodology that is consistently applied less prone to variability	Non-firm connections at transmission	Distribution connection charging boundary
Review of transmission charging boundary		
Review of socialisation of BSUoS constraint management charges		
Review of transmission Connect and Manage policy		

Question 12: Do you agree with our proposal to launch an 'Option 1' SCR for areas of review that we lead on? Please give reasons for your view.

In the interests of reaching a conclusion as fast as possible we think Option 2 – Ofgem raising the modification proposals – would be a preferable approach and a more logical way for Ofgem to hand over their work.

Question 13: Do you agree with the introduction of a licence condition on the basis described in paragraphs 5.11 and 5.12 and Appendix 5? Why or why not? Do you have any comments on the key elements set out in table 7 of Appendix 5a, or consider there are any other key elements which should be included? Please give reasons for your view.

We think OFGEM is right to be concerned about areas being reviewed by industry progressing more slowly so agree it is right to take an action like this. We do not have a strong opinion on this specific approach but can see benefits in something like this.

Question 14: Do you have any comments on the draft wording of the outline licence condition included at Appendix 5b? Please give reasons for your view.

We haven't reviewed it.

Question 15: What are your views on our indicative timelines? Do you foresee any potential challenges to, or implications of, the proposed timelines and how could these be mitigated?

We would encourage OFGEM to reduce the scope of parts of the review as we have outlined to improve the likelihood of this timeframe being met. If a re-write and re-implementation of CDCM and EDCM charging methodologies is required, we do not

think the timeframes suggested will be possible. One of our proposals is that the EDCM methodology should consolidate to the LRIC model only. This would eliminate the need to implement a new methodology for everyone and mean that there are already users available to train others.

Question 16: What are your views on our proposals for coordinating and engaging stakeholders in this work?

We think OFGEM generally do this well and note that coordination will be easier if industry is given discrete and not interrelated tasks.

Please do not hesitate to contact me or my colleague Chris Wickins on 02920 547200 or matthew.tucker@welshpower.com and chris.wickins@welshpower.com should you like to discuss any of our suggestions further or if you have any questions regarding our consultation response.

Yours faithfully



Matthew Tucker
Finance Director