

To: [andrew.self@ofgem.gov.uk](mailto:andrew.self@ofgem.gov.uk)

4<sup>th</sup> January 2019

Response to consultation on the extension of the small generator discount

Dear Andrew,

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, storage, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users.

The small generator discount aims to go some way towards creating a level playing field between <100MW 132kV transmission connected generators in Scotland, and those that are distribution connected at 132kV in England and Wales. The underlying issue is that there has been a distortion in place in England and Wales between under 100MW embedded generators, and larger or transmission connected generators, that is often described as triad-related embedded benefits. This distortion is being progressively reduced through the effect of CMP264/5 such that the first third of the distortion was removed from 1/4/18, the second third of the distortion is due to be removed from 1/4/19, and the remaining third of the distortion will be removed from 1/4/20, from when the distortion enjoyed by English/Welsh generators of this type will have ceased (bar only the cost-reflective avoided grid infrastructure charge, which does not represent a distortion). Essentially the same distortion has been in place in Scotland; however, 132kV-connected generators there count as transmission-connected due to the voltage being differently categorised there. This means that there has been a distortion in the distortion, in that 132kV-connected <100 MW generators in Scotland have *not* been benefitting from the distortion, whereas identically-connected (in voltage terms) generators in England and Wales *have* been benefitting from the distortion.

The size of the missing distortion enjoyed by relevant generators in England and Wales, yet not enjoyed by identical generators in Scotland, could formerly be demonstrated to be the sum of the transmission generation residual (TGR) and the transmission demand residual (TDR) TNUoS charge elements. A decision was taken to pay relevant generators in Scotland a quarter (25%) of this missing distortion, as the "small generator discount" under LC13, funded by consumers.

The discount was set to expire on 31 March 2008 to allow time to develop enduring charging arrangements for embedded generators. The expiry date has been extended four times, and is now the coming 31<sup>st</sup> March.

We understand your proposal to extend the expiry date until 31<sup>st</sup> March 2021, whilst new charging arrangements are developed via the TCR. We do not oppose the intended move, and ask only that, to ensure that the impact on consumers is appropriate, you review the

discount payment rate to reflect the new situation under CMP264/5, as from 1/4/19, two thirds of the former triad-related embedded benefit will have been removed, and from 1/4/20, all of it will have been removed. In other words, whilst there remain differences between the treatment of 100MW 132kV-connected generators in Scotland and the treatment of those in England and Wales, these differences which comprise the basis of the small generator discount are fast declining. If it is your intention to still make the payment equivalent to 25% of the value of the distortion that these generators in Scotland don't enjoy, then the new instruction to the ESO via the licence condition could simply be to set the SGD such as to achieve that.

I confirm that this letter may be published on your website. If you have any questions, please contact Paul Mott on 07752 987992, or me on 0208 1861460.

Yours sincerely,

Mark Cox,

Head of Trading and Transmission Arrangements,  
EDF Energy