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20 December 2019

Statutory consultation on your proposal to modify Standard Licence Condition C13 (Adjustment to use of system charges (small generators)) of the electricity transmission licence

Dear Andrew

Thank you for the opportunity to respond to the statutory consultation on your proposal to modify Standard Licence Condition C13 (Adjustment to use of system charges (small generators)) of the electricity transmission licence. This response is provided on behalf of National Grid Electricity System Operator. We are, and will be responsible for, the operation of the Small Generator Discount Scheme as part of our role in forecasting and billing Transmission Network Use of System charges (TNUoS).

We recognise the role that the Small Generator Discount has had in reducing distortions between charging methodologies for those generators connected at the same voltages in different parts of the country. The scheme has allowed for some adjustment between the charges experienced through TNUoS – as a transmission connected small generator, and those through DUoS – as a distribution connected small generator.

We note that CMP264/265¹ has delivered a reduction in the value of the TNUoS demand residual embedded benefit available to small embedded generator connected to the distribution network. However, differences in charging arrangements between transmission and distribution connected generation still exist. In your 'Targeted Charging Review: Minded to decision and draft impact assessment'², you state your aim to remove the small generator discount when "the three major non-locational Embedded Benefits are removed". We recognise the need for a mechanism like the small generator discount in the meanwhile. We will provide a full response to the TCR in due course.

For your information, we have already taken steps to help our customers understand the impact of the proposed licence change. In our Draft Tariffs for 2019/20 TNUoS³, and our Five-Year View of TNUoS for 2019/20 to 2022/23⁴ we included forecasts of the small generator discount assuming the current methodology was extended.

We should also like to highlight that we have the obligation to set Final TNUoS tariffs by 31 January 2019. The Small Generator Discount is administered as part of the TNUoS tariffs. Therefore, we emphasise the importance of a timely decision to ensure we can definitively include or exclude the Small Generator Discount from Final TNUoS tariffs for 2019/20 and provide certainty to our customers.

Yours sincerely



Paul Wakeley
Revenue Manager

¹ <https://www.ofgem.gov.uk/publications-and-updates/decision-industry-proposals-cmp264-and-cmp265-change-electricity-transmission-charging-arrangements-embedded-generators>

² https://www.ofgem.gov.uk/system/files/docs/2018/11/targeted_charging_review_minded_to_decision_and_draft_impact_assessment.pdf

³ <https://www.nationalgrideso.com/sites/eso/files/documents/Draft%20Forecast%20TNUoS%20Tariffs%20for%202019-20%20%E2%80%93%20Report.pdf>

⁴ https://www.nationalgrideso.com/sites/eso/files/documents/Forecast%20from%202019-20%20to%202023-24_1.pdf