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**4th January 2018**

Dear Andrew,

**Response to consultation on the extension of the small generator discount**

We welcome the proposal in the letter of 28th November 2018 to extend the small generator discount as set out in Standard Licence Condition C13 (Adjustment to use of system charges (small generators)) (SLC C13) of the electricity transmission licence (the Licence).

As we noted in our response to the CMP239 Workgroup consultation in March 2015, SLC13 was originally introduced for justified reasons as evidenced by the statement on page 6 of the National Grid open letter of 15<sup>th</sup> April 2014 on their informal embedded generator review, namely:

*“To address concerns from users in Scotland that there was not a level playing field between these two classes of generator, it was decided that interim arrangements should be put in place in advance of a broader review.” [emphasis added]*

It was indicated at that time (and subsequently restated during the course of four extensions<sup>1234</sup> to SLC C13<sup>5</sup>) that this was to ensure that an enduring solution to the issue, which gave rise to the need for the Small Generator Discount (SGD), was forthcoming.

It remains the case that the enduring solution has not been put in place and we believe that your proposal to extend the expiry date to 31 March 2021 (unless new TCR arrangements are in place prior to this date) is justified.

<sup>1</sup> <https://www.ofgem.gov.uk/ofgem-publications/55746/small-generator-document.pdf>

<sup>2</sup> <https://www.ofgem.gov.uk/ofgem-publications/55732/small-generators.pdf>

<sup>3</sup> <https://www.ofgem.gov.uk/ofgem-publications/52471/101810small-gen-open-letter-publisheda.pdf>

<sup>4</sup> [https://www.ofgem.gov.uk/system/files/docs/2016/01/c13\\_stat\\_con\\_decision\\_letter\\_final.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/01/c13_stat_con_decision_letter_final.pdf)

<sup>5</sup> As detailed in paragraph 4.31 of the CMP239 FMR



Given the history and (repeated) precedent on the part of Ofgem, it seems to us that a legitimate expectation has arisen amongst market participants that the small generator discount will remain in place until such time that the enduring solution (for transmission charging for 132kV connected small generators across GB) has been developed and implemented.

Therefore, we strongly support Ofgem's view that the small generator discount should remain in place while this work is ongoing. We believe that a modification of SLC C13 by amending the expiry date of this condition from 31 March 2019 to 31 March 2021 provides additional time for the development of the options and, subsequently, the enduring arrangements for transmission charging.

Further we believe that it would be helpful if Ofgem could give clear guidance that the Small Generator Discount would be further extended in the event that the implementation of changes from a wider review may be delayed. This modification is important to ensure a more level playing field for small 132kV connected generators in GB remains in place while the TCR arrangement work continues.

We look forward to the outcome of this consultation.

Kind regards,

**John Tindal**

**Analysis Manager: Power and Renewables**