

By e-mail to martin.crouch@ofgem.gov.uk

Dear Martin,

Electricity Distribution connection and use of system charges for demand customers and generators

The RPA participates in the Implementation Steering Group looking at the Structure of Electricity Distribution Charges. David Porter of Ilex attends the meetings on our behalf, and was invited to comment on the above open letter.

I attach a response prepared on behalf of RPA to this consultation

The RPA will continue to contribute to the development of short and long-term solutions to distribution network charging issues, including the ISG. Should you require any clarification regarding any of the issues contained within this document, please do not hesitate to contact either David Porter or myself,

Yours sincerely,

Gaynor Hartnell,
Director of Policy, RPA

Response to Ofgem's Open letter regarding Electricity Distribution Use of System & connection charging methodologies

A note to Ofgem on behalf of the Renewable Power Association

27 August 2004

Introduction

The Renewable Power Association (RPA) welcomes Ofgem's commitment to improving the transparency and user input into electricity distribution charging. In the absence of access to the individual DNO charging methodology submissions, our comments are restricted to the generic issues highlighted by Ofgem.

In general, the RPA believes that sufficient information should be available for generators to accurately predict the level of Use of System charges. In addition, divergence between the different DNO charging methodologies should be minimised.

Use of System

Whilst requirements to comply with the Master Registration Agreement (MRA), the Balancing & Settlement Code (BSC) and other agreements are relevant to licensed suppliers, such requirements should not apply to generators choosing a direct contractual relationship with a DNO. Any such obligations would undermine the attractiveness of direct contractual relationships between generators and DNOs.

The RPA regards the inclusion of glossaries and definitions of terms to be a particularly useful feature of distribution charging methodology statements. The RPA believes that all such statements should include glossaries and that definitions which are consistent across DNOs.

It would be helpful if Ofgem could make available to the industry, an up to date and maintained copy of the Distribution Licence. Ofgem's website would represent the most appropriate location for such a document.

Generator Use of System and Connection

With respect to flowcharts, it would be helpful to gain access to a standardised diagram supported by all DNOs, illustrating the process adopted to calculate distribution charges.

The RPA strongly supports a requirement for all DNOs to provide a range of worked examples to clarify generator use of system calculation methodologies.

With respect to the Distribution Reinforcement Model, clarification is sought regarding the imposition of a '500MW increment of maximum demand at each voltage and transformation level'. Surely such an increment should be scaled according to the point on the network under consideration?

The RPA seeks confirmation that both the incentive and pass-through elements of GDUoS will cease after generation connection assets have been depreciated, as the costs of connection would have been fully recovered. Such an approach would result in generators with fully depreciated connection assets only paying charges corresponding to O&M.

The RPA regards a consistent definition of capacity, across all DNOs, as an essential feature of GDUoS charges, which will enable like-for-like comparisons. It is a concern that such definitions appear to be diverging. Similarly, a consistent approach across all DNOs would be preferred regarding the minimum timescales to change agreed capacities.

In order to implement GDUoS charges in April 2005, it will be essential to understand how DNOs will vary their charges across different generator types. It is a concern that four DNOs do not specify their approaches with respect to voltage levels, and seven are silent regarding locational factors.

Further clarification is required regarding GDUoS volatility minimisation mechanisms. Without more detailed information, it is not possible to comment on the relative merits of the capped or the restricted tariff movement approaches. Ideally the approach adopted should be consistent across all DNOs.

In addition, the proposal of some DNOs to change the values of caps with only three months' notice seriously undermines the attractiveness of the capped approach. The purpose of volatility minimisation initiatives should be to reduce generator uncertainty. The potential for caps to be varied up to four times a year would only serve to increase uncertainty.

The ability of generators to avoid or defer network reinforcement requirements will need to be recognised in distribution charging methodologies in future. A recent ILEX/UMIST report to the Distributed Generation Co-ordination Group on Ancillary Service Provision from Distributed Generation proposes a bilateral means of rewarding generator contributions in the short term.

In light of the proposed timetable for issuing the final Distribution Charging Methodology statements towards the end of 2004, the RPA questions the significance of transitional arrangements that may only be required for 3 months. Obviously, the RPA supports options to maximise generator choice between now and April 2005.

The RPA continues to support the option for generators to enter direct use of system billing arrangements with DNOs.

With respect to connection boundaries, the RPA believes that it is essential for DNOs to provide a full technical justification of the 3x factor in the fault level apportionment rule. This rule has been consistently challenged during ISG discussions although no satisfactory explanation has yet been offered. In the absence of such information from DNOs, perhaps Ofgem should commission a consultant engineer to investigate.

Where DNOs specify additional connection assets over and above those requested by the connectee, the RPA agrees that the DNO should be responsible for any additional costs. Similarly the DNO should be responsible for the O&M costs of such equipment.