

DCP 287 Collated Consultation Responses

Company	Confidential/ Anonymous	1. Do you understand the intent of DCP 287? Please provide your rationale
Electricity North West	Non-confidential	Yes.
SmartestEnergy	Non-confidential	Yes
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	Yes.
SP Distribution/S P Manweb	Non-confidential	Yes we understand the intent of DCP287.
UK Power Networks	Non-confidential	Yes, we understand the intent of this change is to consider other costs in the calculation of credits for generators in the EDCM.
WPD	Non-confidential	Yes

Company	Confidential/ Anonymous	2. Are you supportive of the principles of DCP 287? Please provide your rationale
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Electricity North West	Non-confidential	Yes, we support the principle that a consistent approach should be applied to both EDCM and CDCM generation customers. However, the approach chosen should be the one that best meets the DCUSA objectives.
SmartestEnergy	Non-confidential	<p>We are supportive to some extent, though we note that the proposer already identifies that there is an industry mechanism which provides access to transmission exit credits and this would need to be revisited if credit is additionally being given through DUoS.</p> <p>We have concerns that the change proposal implies a greater degree of clarity than may actually be the case about being able to allocate network costs; indirect costs, by their nature, have a more intangible relationship to generation.</p> <p>Additionally, we are concerned that an increase in DUoS credits for <i>existing</i> EDCM generators would ultimately be paid for by higher charges to consumers and not by reductions to DNO allowed revenues. If the proposal is implemented, we would suggest it would be more appropriate for the existing arrangements to be grandfathered for existing plant (i.e. additional credit only given to new build plant), as the existing generators made their investment decisions based upon the charging regime that was in existence at the time.</p>
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	<p>No.</p> <p>We do not believe there is enough evidence within this consultation paper to support all of the stated benefits of embedded generators. We agree with the current approach that credits are applied based on the ER P2/6 assessment.</p>
SP Distribution/S P Manweb	Non-confidential	Yes, however it would need to be demonstrated that the generators are providing benefits i.e. offsetting spend.
UK Power Networks	Non-confidential	We can understand the principles behind the change, but we feel it needs further work to be undertaken to fully justify and support these principles.

WPD	Non-confidential	Yes
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Company	Confidential/ Anonymous	3. Can parties provide any documentation to support why the EDCM does not apply credits (apart from transmission exit credits for qualifying generators)?
Electricity North West	Non-confidential	No.
SmartestEnergy	Non-confidential	We recall that there were discussions at the time as to the complexity of actually determining the extent to which EDCM embedded generation did actually offset costs.
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	Not aware of any.
SP Distribution/S P Manweb	Non-confidential	No.
UK Power Networks	Non-confidential	The EDCM does apply credits for applicable non-intermittent generation. This approach is similar to the approach used in the CDCM where credits reflect the off-set of the forecast forward looking reinforcement costs. Credits are not applied to intermittent generation as it was believed that intermittent generation on the EHV and 132kV network was not sufficiently persistent and also lacking in diversification or enough individual sites to make a critical mass to be able to support the network enough to avoid the DNO needing to reinforce the network at that voltage level.
WPD	Non-confidential	No

Company	Confidential/ Anonymous	4. Do you agree with the principle that EDCM embedded generators should receive a credit for offsetting transmission exit costs? Please justify your rationale.
Electricity North West	Non-confidential	We support this principle as the transmission exit costs are based on peak demand. This approach relies on peak demand being a true cost driver, and reductions in peak demand resulting in lower transmission costs over the long term.
SmartestEnergy	Non-confidential	Yes, we agree with the principle that EDCM embedded generators should receive a credit to the extent that they do offset transmission exit costs. However, we believe the availability of this credit already exists
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	We agree conditionally that EDCM embedded generators should receive a credit for offsetting transmission exit costs where they are deferring/avoiding potential reinforcements at the GSP. However this may not be the case where the customer is located in an exporting GSP group.
SP Distribution/S P Manweb	Non-confidential	It would depend on the location, not all generators provide a benefit.
UK Power Networks	Non-confidential	We are supportive but only to generators who export during the super-red period which is in line with the view of the working group. Our support however, does need to be considered with whether there is enough critical mass of generators to allow for any reinforcement needing to be avoided.
WPD	Non-confidential	WPD agree with the principle that EDCM embedded generators could in the long run reduce future transmission exit charge but the extent of this needs to be fully understood. The amount of generation as a percentage of total network demand for each half hour varies greatly throughout the year.

Company	Confidential/ Anonymous	5. Do you agree that only EDCM embedded generators which are eligible for Charge 1 should receive credits for offsetting transmission exit costs? Please provide your rationale.
Electricity North West	Non-confidential	Eligibility for charge 1 credits is based on the F-factor of a site. The F-factor gives a measure of persistence and is aligned to the engineering standard (P2/6) which determines the design of the network. We agree that only embedded generators that are able to offer a recognised level of persistence should be eligible for the credits as it is only these generators that provide a level of benefit that can be recognised in the construction and operation of the network and system as a whole, including the super grid transformers.
SmartestEnergy	Non-confidential	Yes, system peak is aligned with the derivation of TNUoS charges
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	We agree with the current approach that EDCM embedded generators should receive credits for offsetting transmission exit costs based on the ER P2/6 assessment. If credits were provided to all EDCM embedded generators this could lead to the situation where the DNO would be providing credits to embedded generators but still be obliged to reinforce the network if it was not P2/6 compliant.
SP Distribution/S P Manweb	Non-confidential	If proven that a generator eligible for Charge 1 will offset the demand during the Charge 1 then yes.
UK Power Networks	Non-confidential	Yes, in line with the views of the working group, those generators who do not receive charge 1 credits should not be entitled to receive any credits in relation to transmission exit costs, as they need to support the network at the time its required.
WPD	Non-confidential	Not necessarily. We believe that more analysis needs to be done to understand the future reduction in transmission exit charges before answering this question.

Company	Confidential/ Anonymous	6. Do you agree with the Working Group that the issue regarding exporting GSPs is out of scope? Please provide your rationale.
Electricity North West	Non-confidential	Yes, we agree that this is a separate issue that is out of scope for this change. However, the issue of exporting GSPs remains relevant when considering the impact of the proposal against the objectives including cost reflectivity.
SmartestEnergy	Non-confidential	We believe that exporting GSPs should be considered in the round of the proposal. Whilst not specifically being in scope of the DCP, a core part of the proposal is about the application of transmission charging. Industry needs to address the costs associated with exporting GSPs and not to take account of this now will mean that a) proposals to address the issue will be less likely to come forward and b) if and when they do the arrangements currently being proposed will need to be revisited. In essence, the change proposal has identified where embedded generators could pick up more benefit but excludes the issue of exporting GSPs which ignores where perhaps embedded generators should pick up more of the costs.
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	We agree that the issue of exporting GSPs is outside of the scope of the DCP as the current methodologies assume demand dominated networks. However, we would like it noted that in Ofgem's decision on DCP137, they state that they 'support the underlying principle that, where generation drives reinforcement, it may not be appropriate for those generators to continue receiving credits, as they no longer provide the same benefit to the network'.
SP Distribution/S P Manweb	Non-confidential	This can only be fully analysed by taking account of exporting GSPs too.
UK Power Networks	Non-confidential	Yes, we do not believe that this element is in line with the scope of this change and as such a separate DCP would need to be raised to address any potential issues with exporting GSPs.
WPD	Non-confidential	No. Embedded generation causing GSPs to export could increase transmission exit charges.

Company	Confidential/ Anonymous	7. Do you agree with the principle that that credits should be awarded to eligible EDCM embedded generators for avoided costs associated with direct costs, indirect costs and network rates? Please provide your rationale against each.
Electricity North West	Non-confidential	<p>Direct costs and Indirect costs.</p> <p>The analysis of the working group does not seem to support the hypothesis that the offsetting of demand by generators has an impact on these costs. However, the principles of the methodology suggest that these costs should be considered in the calculation of credits. We are undecided if such costs are avoided given the evidence available.</p> <p>Network rates. No, please see our response to question 11.</p> <p>We are concerned that the change document seems to suggest an approach that would compound the uplift in credits.</p> <p>The uplift should be: $1 + \text{DOCR} + (\text{INCR} \times 0.6) + \text{NRCR}$</p>
SmartestEnergy	Non-confidential	No. Please see answer to Q2
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	We agree with the current approach that EDCM embedded generators should receive credits based on the ER P2/6 assessment. We do not believe there is enough evidence on the stated benefits of embedded generation within this consultation document to comment on the principle of awarding of additional credits for direct costs, indirect costs and network rates.
SP Distribution/S P Manweb	Non-confidential	Yes but only if the avoided costs can be clearly identifiable.
UK Power Networks	Non-confidential	No we do not, as we believe that in general these costs are not reduced as a result of generators being connected.

WPD	Non-confidential	There is a theoretical link between embedded generators and reduced direct costs, indirect costs and network rates but it is very difficult to prove an actual link. This would be very important to do to ensure that the correct level of credits are paid to the generators.
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Company	Confidential/ Anonymous	8. Which of the two options do you support? <ul style="list-style-type: none"> Option 1 – amending the calculation for Charge 1 or Option 2 – NUF? Please provide your rationale.
Electricity North West	Non-confidential	Option 1, as this ensures that benefits are only applied when exporting at the time of system peak, and is applied only to generators that contribute to network security. It is most likely that the behaviour of exporting at system peak would give rise to the variable cost benefits that the credits represent.
SmartestEnergy	Non-confidential	Option 1 is preferable as it is more transparent.
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	<p>If this DCP were to be approved, we would be more supportive of Option 1 because it maintains the locational and site specific nature of the EDCM which incorporates ER P2/6 compliance.</p> <p>We would not support Option 2 because the credit applied would be generic rather than site specific, and so would dampen the locational signal and in some cases the application of any credit would cause an incorrect location signal, for example in the case of exporting GSPs. This is due to the EDCM embedded generators qualifying for Collar NUFs as they would be mixed sites with generation dominance.</p>
SP Distribution/S P Manweb	Non-confidential	Option 1 – as this will be based on the congestion level of the network and more closely aligned to reinforcement.

UK Power Networks	Non-confidential	We believe that further work needs to be undertaken to justify the change before the change report is drafted, as a result at this time we do not 'support' either option. However if this change is progressed further then option 1 which incorporates the credit into the unit charge would be the most appropriate option to take forward, as it's the unit element of the charge which needs to be rewarded, if deemed to be appropriate.
WPD	Non-confidential	WPD cannot answer this question until the analysis has been done to determine correct level of credits.

Company	Confidential/ Anonymous	9. Do you think there is a direct relationship between energy flows and indirect costs, direct costs and network rates incurred by a DNO, or do you think the nature of the relationship is more complex such that the reduction of demand flows caused by embedded generators may not reduce the costs incurred? Please provide your rationale.
Electricity North West	Non-confidential	<p>The relationship is not direct, and is complicated by a number of factors.</p> <p>There are clearly costs that are not reduced as a result of lower energy flows, and indeed some that would be expected to increase as a result of new generator customers connecting.</p> <p>For large customers connecting at high voltage levels diversity has less impact than for smaller customers. Also, a large generator in a single point won't have the same impact as a large number of small generators spread across the whole network region. Not all energy flows are equivalent in the impact on the network.</p>
SmartestEnergy	Non-confidential	We believe there likely is benefit to the DNO, but it is probably likely the data that would justify the value of it to an EDCM generator is not cost effective to obtain or would be difficult to be accurately allocated. If it were possible, then CDCM generators and CDCM/EDCM consumers more widely should receive the benefit of that accuracy.
Southern Electric Power Distribution	Non-confidential	The analysis undertaken does not highlight any particularly strong trends and no empirical evidence, which implies that the relationship is more complex.

plc and Scottish Hydro Electric Power Distribution plc		
SP Distribution/S P Manweb	Non-confidential	This is complex with no clear link.
UK Power Networks	Non-confidential	<p>The costs incurred by the DNO for assets already installed will not be reduced by generation connecting onto the network. Even customers connecting today which have generation capacity will only have any positive impact upon a DNO with regards to indirect and direct costs and network rates if they were to export onto the network at the super red times.</p> <p>Additionally it is likely that DNOs' cost will increase as they move towards managing dynamic networks due to the increase in embedded generation.</p>
WPD	Non-confidential	The relationship is very complex as answered in question 4.; The amount of generation as a percentage of total network demand for each half hour varies greatly throughout the year.

Company	Confidential/ Anonymous	10. Do you agree that the 60% value (as used in the CDCM) should be used to determine the proportion of indirect costs which EDCM embedded generators have the potential to offset?
Electricity North West	Non-confidential	We support the principle of consistency of application between CDCM and the EDCM. We agree with using the same 60% value on this basis.
SmartestEnergy	Non-confidential	No comment

Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	If this DCP were to be approved, we would agree that a consistent indirect factor should be applied.
SP Distribution/S P Manweb	Non-confidential	No the figure should be based on analysis and not just a convenient figure.
UK Power Networks	Non-confidential	If it is decided that generators have the potential to offset indirect costs then the use of the 60% value (as used in the CDCM) would be appropriate to use in the EDCM.
WPD	Non-confidential	This would add consistency to the models.

Company	Confidential/ Anonymous	11. Do you believe that embedded generators have the ability to reduce a DNO's overall network rates bill? Please provide your rationale.
Electricity North West	Non-confidential	No, probably not in almost all cases. The rate calculation is complicated but primarily based on the revenue of the DNO and the assets deployed to deliver that revenue. It is unlikely that an embedded generator would result in lower numbers of assets (as opposed to reducing the costs and increasing the life) but if it did this would probably simply have the effect of increasing the rate costs of the remaining network assets.
SmartestEnergy	Non-confidential	We have no evidence to form a view
Southern Electric Power Distribution plc and	Non-confidential	Based on the information provided in the consultation paper, there does appear to be an ability for embedded generators to reduce the overall network rates with a demand dominated GSP group. However, this theoretical scenario cannot be applied universally, for example in the case of

Scottish Hydro Electric Power Distribution plc		exporting GSP groups. Also, without evidence to show that a reduction in assets wouldn't then be offset by a reduction in operating costs, it is hard to be conclusive.
SP Distribution/S P Manweb	Non-confidential	Potentially, however to properly answer this question you would need evidence of the assets involved both existing and avoided.
UK Power Networks	Non-confidential	No, we do not believe that it is possible for embedded generators to have a material impact on the DNOs Network rates bill.
WPD	Non-confidential	See answer to question 7.

Company	Confidential/ Anonymous	12. Do you believe that this change proposal better facilitates the DCUSA Charging Objectives? Please provide your rationale against each objective.
Electricity North West	Non-confidential	Aspects of the proposal have merit, but currently we do not feel confident enough to determine if the proposal increases cost reflectivity enough to better facilitate the charging objectives.
SmartestEnergy	Non-confidential	The proposal potentially meets a cost reflectivity objective but this probably needs greater justification.
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	Unable to determine without the proposed legal text.

SP Distribution/S P Manweb	Non-confidential	It would only be more cost reflective if allocated on a site specific basis rather than across all EDCM generators.
UK Power Networks	Non-confidential	At this current time we do not believe that there is enough evidence that any DCUSA objective is better facilitated by this change.
WPD	Non-confidential	This would depend on the results of the further analysis whether this DCP will make the charging methodology more cost reflective.