



CMG members, regulation  
directors

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*Promoting choice and value for  
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Date: 18 December 2009

Dear Colleague,

**Distributed Generation (DG) Use of System (UoS) charges for generators who connected pre 2005**

We note that DNOs' charging methodologies do not currently levy use of system charges on pre 2005 connected generators. This charging policy stemmed from the blanket 'exemption' issued to DNOs from charging pre 2005 connected generators in our price control final proposals in respect of the period from 1 April 2005 to 31 March 2010<sup>1</sup>. We have been clear as part of DPCR5 Initial and Final proposals that this 'exemption' is being removed and that we expect all distributors to review their existing contracts with distributed generators to ensure that users' rights are clear and are not unduly discriminatory in nature<sup>2</sup>. Should DNOs accept DPCR5 final proposals then we expect their UoS charging methodologies to be updated immediately to reflect the removal of the exemption in DPCR5 price control arrangements.

We are aware that there may be some pre 2005 generators who paid 'deep reinforcement' costs as part of their connection charge and that in such circumstances it may be inappropriate for DNOs to levy UoS charges without taking these previous payments into account. We expect DNOs to identify these generators and consider what appropriate non discriminatory charging arrangements should be put in place in each instance. We would expect DNOs to provide clarity on the approach they will take in their charging methodologies and would encourage DNOs to bring forward modification proposals to this effect early in the New Year.

As we have mentioned in previous meetings and Colette Schrier's email to CMG on 10 December we take seriously the requirement on DNOs to ensure they do not unduly discriminate between generators. DNOs should therefore be aware that we may consider enforcement action where there is evidence that a DNO may be unduly discriminating against DG connected post 2005.

For the avoidance of doubt, we do not consider that the DNOs should wait for the implementation of the common charging methodology at higher voltages (the EDCM) before developing and communicating an approach to charging generators who connected pre 2005. DNOs' current charging methodologies do not reflect the policy framework

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<sup>1</sup> This 'exemption' is contained within paragraph 5.11 of DPCR 4 Final proposals:  
<http://www.ofgem.gov.uk/Networks/ElecDist/PriceCtrls/DPCR4/Documents1/8944-26504.pdf>

<sup>2</sup> Please see paragraph 2.7 of Initial proposals at:  
[http://www.ofgem.gov.uk/Networks/ElecDist/PriceCtrls/DPCR5/Documents1/Initial%20Proposals\\_1\\_Core%20document.pdf](http://www.ofgem.gov.uk/Networks/ElecDist/PriceCtrls/DPCR5/Documents1/Initial%20Proposals_1_Core%20document.pdf)

proposed in DPCR5. One DNO<sup>3</sup> has already submitted a modification proposal to us along these lines, on which we are about to consult, and we expect other DNOs to follow suit in the near future.

Subject the acceptance of DPCR5, I would be grateful if each DNO could submit a timeline of when they expect to submit a modification proposal to update their UoS charging methodology to reflect the removal of the 'exemption' against charging pre 2005 connected generators and the policy direction outlined in DPCR5.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Rachel Fletcher', is written over a light grey rectangular background.

Rachel Fletcher  
Partner, Distribution

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<sup>3</sup> WPD submitted a modification proposal on 11 December which is available on our website at:  
<http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistChrgMods/Pages/DistChrgMods.aspx>.