



Bringing Energy
Together

CHPA response to the consultation on the provision of third party access to licence exempt electricity and gas networks

Introduction

The Combined Heat and Power Association (CHPA) welcomes the consultation on the important issue of resolving the issues surrounding third party access to licence exempt gas and electricity networks. The CHPA response focuses on electricity private wire (PW) networks. PW networks generally deliver efficient, low carbon energy and any new regulation should seek to preserve their financial viability. It is important to note that the principal reason why many PW networks exist in the UK is because of the inability of operators to obtain realistic value for electricity exported to the distribution network. Ideally, the market would avoid the need for PW through recognising the value of this electricity and the CHPA would encourage Government to use the Electricity Market Reform process to address this issue.

The CHPA agrees with the Government's broad approach to this issue and believes that the proposals represent a pragmatic response to the Citiworks Judgement and third energy package requirements.

The CHPA is the leading advocate of an integrated approach to delivering energy services using combined heat and power and district heating. The Association has over 100 members active across a range of technologies and markets and is widely recognised as one of the leading industry bodies in the sustainable energy sector.

Distribution network definition

Given that many PW networks were developed prior to the Citiworks ruling, it would be beneficial if the Government provides greater clarity on its definition of a 'distribution network'. The consultation places the onus on network developers to establish the legality of whether a potential scheme will be exempt from 3rd party access requirements, and this could impose significant costs on those network operators. Any additional guidance that the department is able to provide may be very helpful in avoiding future costly legal proceedings.

Common charging methodology

The Government proposes the introduction of a common charging methodology to be developed and consulted on by Ofgem. The CHPA agrees with Government that this would be a helpful development but it is vital that the charging methodology fully reflects the costs for the owner and operator of the network. When determining a common methodology for charging 3rd parties to access PW networks, Ofgem must incorporate the costs of investment, maintenance and data retrieval (e.g. the need for monitoring and calculating usage at one or more sites within the network). We would request that Ofgem and DECC work closely with industry in an open and transparent manner in developing the common methodology to ensure that it is fair and accurate.

The CHPA agree with Government that it is important the full costs associated with connection arrangements, including meter changes and network upgrades be borne by

the customer and prospective 3rd party supplier. Furthermore, the CHPA believes that licence exempt distribution networks should not have to prepare for 3rd party access obligations until such a time when specifically requested by a customer.

During the consultation period, some members have highlighted that the standards required for constructing new private wire networks are not the same as those for public network (they are more onerous for private wire networks) and the CHPA is not clear as to why such an additional burden on private network operators is necessary.

Possible market mechanisms

The CHPA welcomes the Government's setting out of a range of options for addressing third party access. Of the four options the CHPA believes that full settlement metering represents an unnecessary level of complexity and is not a viable option for the industry. There is no clear advantage for customers downstream of the Private Wire to be obliged to have a settlement meter. In many cases the commercial arrangement will be the most logical mechanism for accommodating the Citiworks judgement in the UK but the Association believes that it is right to explore all options fully and to provide flexibility for the wide array of PW arrangements. The CHPA strongly urges Government to develop all of the three viable mechanisms presented into full implemental models. Should the legislation be implemented and no further work be carried out, it will create a very difficult situation for both the owners of PW networks and any customer wishing to obtain 3rd party supplies. Due to the level of regulatory control held by the Government in this area, the industry is unable to work up these proposals into implementable models alone. The CHPA strongly believes that it is for Government to carry out this work and offers any assistance as it is able to help Government achieve this.

The CHPA agrees that under bulk purchase terms, tenants should have the right to sign up for extended periods such as a year or more to ensure that a PW network can be installed and provide competitive electricity prices to customers. There should not be any compulsion to sign up for such an arrangement.

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