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Our Reference:
Your Reference:

Date: 11th January 2010
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Dear Customer

Electricity Distribution Charges – Information Update for Generators

On 16th December 2009 we wrote to you, as an operator of electricity generation plant which is connected to export electricity to the Scottish Hydro Electric Power Distribution plc ("SHEPD") network, to advise of forthcoming changes to our Distribution Use of System ("DUoS") charges.

Since our previous letter, we have submitted our indicative DUoS charges proposals to Ofgem¹, for application from 1st April 2010. These proposals have also been provided to all electricity suppliers for their information.

An excerpt from these proposals, detailing the proposed charges in relation to generators, is attached to this letter for your information and to enable you to gauge the potential financial effect to your plant(s). These proposals are discussed in relation to different categories of generation in further detail below.

Under current industry arrangements, DUoS charges are invoiced to electricity suppliers who purchase electricity exported from generators connected to our system. In addition to advising suppliers of changes to our charges, we are writing directly to generators as the changes to DUoS charges could potentially affect the commercial terms and arrangements between you and your supplier(s).

DUoS Charges: "Pre-2005" Generation

In our previous letter, we advised that the regulator of the GB electricity industry, Ofgem, has directed us to withdraw the existing exemption from DUoS charges in relation to the

export connections for all generation plant connected² prior to 1st April 2005. Following this direction and further clarification received from Ofgem, we will apply DUoS charges in relation to all exporting generation with effect from 1st April 2010.

Low Voltage³ and High Voltage⁴ Generation Connections: DUoS Charges

The DUoS charges which we propose to apply to all LV or HV connected exporting generators from April 2010 are shown in the attached table. As stated in our previous letter, we believe that in most cases, these will result in negative overall charges, in recognition of the support such generation typically provides to the distribution network.

Since our previous letter, we have been asked by a number of parties to estimate the annual total DUoS charges which may arise in relation to their plant(s) following implementation of the proposed new DUoS charges. However, as the attached table shows, for many generators the charges comprise of a number of variables and the level of charges to a particular site is largely determined by the scale and timing of the generated output exported through individual plant connections. As such, we would suggest that generators, with their detailed knowledge of their plant(s), may wish to consider a range of output scenarios in assessing the likely level of charges which may apply to specific plant(s).

Please note that where such charges are negative, SHEPD will apply a credit to the appointed electricity supplier, as our use of system contract is with that party rather than directly with you. You may therefore wish to contact your electricity supplier to establish how negative charges may affect your commercial arrangements.

Extra High Voltage⁵ Generation Connections : DUoS Charges

In our previous letter, we stated our view at that time that it would be more appropriate to apply DUoS charges to “pre-2005” generation with effect from 2011, rather than April 2010, to tie in with the anticipated development of the common Extra High Voltage Distribution Charging Methodology (“EDCM”). However, following subsequent clarification received from Ofgem, we will apply DUoS charges to pre-2005 EHV generation connections for the first time from 1st April 2010.

As shown in the attached table, our proposals in relation to EHV generation DUoS charges are based on a single capacity charge to apply from 1st April 2010 to 31st March 2011. The implementation of the EDCM from 1st April 2011 is a significant change, as the DUoS charges will be specific to each generation connection, derived on a network location basis.

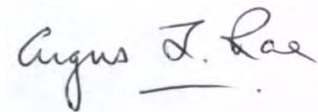
The EDCM is being developed by the GB Distribution Network Operators with Ofgem and stakeholder participation. Further information on the EDCM is available from the Energy Networks Association website⁶.

Final DUoS Charges

Over the next few weeks, our indicative DUoS charges will be reviewed by Ofgem and by mid February our final charges will be established for implementation with effect from 1st April 2010. When the final charges have been established, we will advise these to our customers and stakeholders. The final charges and other associated information, will be available to view or download from our website⁷, along with other matters of potential interest and value.

Should you have questions or comments in relation to the matters covered in this letter, please get in touch.

Yours sincerely,



Angus Rae
Commercial Policy Manager
Scottish Hydro Electric Power Distribution plc

1 www.ofgem.gov.uk

2 This exemption also covers generation plant where the connection application was received by SHEPD prior to 1st January 2005

3 Low Voltage (LV) means less than 1,000 volts

4 High Voltage (HV) means greater than 1,000 volts but less than 22,000 volts

5 Extra High Voltage (EHV) means 22,000 volts and above

6 <http://2010.energynetworks.org/>

7 www.ssepd.co.uk

Appendix - Excerpt from SHEPD Indicative DUoS Tariffs April 2010

Generation Tariffs

Suppliers who wish to purchase electricity from distributed generators with NHH metered (M Class B) MPANs or with HH metered (M Class D) MPANs may adopt this charge structure depending upon the metered voltage.

The tariffs in Table 9a apply to sites metered at HV or LV. The site specific charges in Table 9b apply to sites metered at EHV.

Table 9a – Generation Tariffs						
Description	LLFC	Fixed charge (p/MPAN/day)	Unrestricted or Red unit charge (p/kWh)	Amber unit charge (p/kWh)	Green unit charge (p/kWh)	Excess reactive power charge (p/KVArh)
Non-Half Hourly Tariffs						
LV Generation NHH	951		(0.906)			
LV Sub Generation NHH	952		(0.813)			
Half Hourly Tariffs						
LV Generation Intermittent	1, 909		(0.906)			0.203
LV Generation Non-Intermittent	2		(2.873)	(1.132)	(0.145)	0.203
LV Sub Generation Intermittent	3		(0.813)			0.179
LV Sub Generation Non-Intermittent	4		(2.582)	(1.012)	(0.131)	0.179
HV Generation Intermittent	5, 910	183.23	(0.426)			0.164
HV Generation Non-Intermittent	6	183.23	(1.383)	(0.509)	0.070	0.164
HV Sub Generation Intermittent	8	183.23	(0.251)			0.051
HV Sub Generation Non Intermittent	7	183.23	(0.838)	(0.280)	(0.043)	0.051
Notes:	Time Periods Unit charges in the Red time band apply – between 12:30 to 14:30, and 16:30 to 21:00, Mon to Fri including					

	<p>Bank Holidays</p> <p>Unit charges in the Amber time band apply – between 07:00 to 12:30, and 14:30 to 16:30, Mon to Fri including Bank Holidays, and Sat and Sun between 12:30 to 14:00, and 17:30 to 20:30</p> <p>Unit charges in the Green time band apply – between 00:00 to 07:00, and 21:00 to 24:00, Mon to Fri including Bank Holidays, and Sat and Sun between 00:00 to 12:30, and 14:00 to 17:30, and 20:30 to 24:00</p> <p>All times are UK clock-time and are illustrative only, subject to change</p>
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SHEPD will, until 31st March 2011, roll forward the current charging methodology for EHV connected Distributed Generation Sites. Consequently, the charges detailed in Table 9b will be applied to all EHV Generation sites.

Table 9b – Site-Specific Tariffs for HH Metered EHV								
Description	LLFC	Fixed charge (p/MPAN/day)	Capacity charge (p/kVA/month)	Excess capacity charge (p/kVA/day)	Red unit charge (p/kWh)	Amber unit charge (p/kWh)	Green unit charge (p/kWh)	Excess reactive power charge (p/KVArh)
EHV Generation Export			5.50					
Notes:	Charge applied to all EHV Generation sites.							

Glossary of Terms

Term	Definition
Extra High Voltage	Voltages of 22kV and above
High Voltage	Nominal voltages of at least 1kV and less than 22kV
High Voltage sub-station	HV Sub applies to customers connected to the licensee's distribution system at a voltage of at least 1 kV and less than 22 kV at a substation with a primary voltage (the highest operating voltage present at the substation) of at least 22 kV and less than 66 kV, where the current transformer used for the customer's settlement metering or for metering used in the calculation of the customer's use of system charges or credits is located at the substation.
Intermittent Generation	Generation plant where the energy source of the prime mover can not be made available on demand.
Low Voltage	Nominal voltages below 1kV

Low Voltage sub-station	LV Sub applies to customers connected to the licensee's distribution system at a voltage of less than 1 kV at a substation with a primary voltage (the highest operating voltage present at the substation) of at least 1 kV and less than 22 kV, where the current transformer used for the customer's settlement metering is located at the substation.
Non-Interrmittent Generation	Generation plant where the energy source for the prime mover can be made available on demand.