

Commercial Considerations of the Costs of Compliance.

At issue is the implications for the treatment of the costs of compliance, should Phase 2 of GC0079 determine that it is overall cost effective to make changes to the protections settings on some or all generation plant of <5MW capacity. This will impose new costs of compliance on all affected customers.

The following points have been received from in informal review of the issue with commercial representatives from the DNOs. It is not a definitive set of conclusions.

1. Connectees are obliged to comply with all relevant, including D Code, requirements – the costs of compliance fall to connectees.
2. The costs to connectees needs to be considered in relation to any government or other policy decisions that have exposed connectees to unexpected costs. Larger commercial organizations are generally in a better position to manage the risks of such costs than smaller players or domestic customers. This could imply a threshold below which it is either not appropriate to make changes, or below which compensation should be paid.
3. The changes are to maintain a secure system and reduce balancing costs. Balancing costs are initially borne by NGET, but are funded by Suppliers, and in turn by customers in general. It is therefore appropriate and logical that any direct compensation that might be agreed is funded by NGET in a way that is recycled into balancing costs.
4. The routes chosen for payment and administration will be affected by how many smaller/domestic connectees are caught by the requirement to change.
5. The payment mechanism for compensation could be via the DNO, via Suppliers (ie using the Supplier Hub principle) or directly from NGET. It is not thought that this could or should be done via accommodation in tariffs; a direct repayment would be appropriate.
6. Administration again could be by DNO, Supplier or NGET.
7. Some form of certification would be necessary from a competent authority before payment could be made.
8. It might be appropriate to tender on a national or regional basis for the work by an appropriate specialist. In which case there would be no direct compensation payment to the connectee.
9. If paid directly to the connectee the value of the compensation would need to be fixed, or chosen from a simple menu by the payee, not the connectee.