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## **DONG Energy response to the Open letter consultation: Investment Ahead of TEC guidance document**

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DONG Energy is one of the leading energy groups in Northern Europe. Headquartered in Denmark, we have an interest in several European markets and cover a wide range of energy sector activities. In the UK, we are the market leading developer and operator of offshore wind farms, as well as a supplier focussed on flexibility and demand side response.

Our ref. NGET Response - Investment Ahead of TEC

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We appreciate the opportunity to respond to National Grid's (NGET) consultation on Investment Ahead of TEC. We have provided a summary of our views, and answers to your specific questions in our response.

### **Summary**

In our view, the guidance documents are an inappropriate mechanism for NGET to levy a charge. Our views are set out in more detail in our response to CMP249<sup>1</sup>. Modifying the guidance document further highlights why these charges need to be set out within the CUSC, and any modifications need to go through the CUSC modification process. This consultation does not set out why the guidance has changed, the justification for the charges, and how customers will be impacted.

- 1. Do you agree with the principle that inefficient costs related to early transmission investment, which occurs as a result of a Customer request, should be recovered from the customer who makes the request?*

Partially. We agree that where a customer requests a delay, which unduly causes inefficient transmission investment, and this is a risk that the Transmission Owners (TOs) are not supposed to or are capable of handling, then the costs should be recovered from the customer who makes the request if a cost-reflective charge can be determined.

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<sup>1</sup>NGET has not published the CMP249 responses at the time of this letter

2. *What are your views on the changes we are proposing to the guidance note and methodologies?*

Our ref. NGET Response - Investment  
Ahead of TEC

It is hard for us to comment whether the proposed changes are positive or negative. Industry has not been presented with any clear evidence over how TOs face costs when projects delay and hence we can't say whether the new guidance is more appropriate than the old one.

Furthermore without a tracked changes version, it is hard for us to see how and what changes have been made.

3. *What are your views on the benefits of publishing separate guidance notes for each of the two charges currently outlined in the guidance document?*

Again, we find it difficult to have a definitive view on this question as the basis and evidence for charging customers for delays<sup>2</sup> or for backfeed has never been set out.

If the costs for both charges are similar or identical, as they are both supposed to represent costs of early transmission investment, then it may be justified to have them together. If the costs aren't, then it may be more appropriate for the charges to be separated.

We would highlight that the reasons for delays occurring, and for users requiring backfeed, are very different. We would expect the impact on the TOs of delays and backfeed to be very different. Notably they will get treated differently under the price controls. We would also further highlight that the backfeed date, and what constitutes "early backfeed" are not defined or set out within the CUSC.

4. *Are there any further changes you would like to see made to the guidance note?*

In our view the guidance is an inappropriate mechanism to charge customers of NGET. NGET has been levying these charges on customers on the basis that this guidance, building on previous consultations stemming from NGET's CEC before TEC consultations<sup>3</sup>, allows NGET to charge customers through interpreting the provisions of Section 14.4 of the CUSC.

Ofgem's determination<sup>4</sup> clearly highlighted that CEC before TEC charges should not apply as charges. It is not clear if NGET's position is

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<sup>2</sup> The new guidance refers to these charges as charges for "transmission investment costs which become inefficient"

<sup>3</sup> We believe these consultations have been removed from the NGET website

<sup>4</sup> Ofgem, Determination No. RBA/TR/A/DET/189, 4 February 2015

that the delay and backfeed charges are levied now on the basis of these new guidance documents, or whether these documents are an update to the previous CEC before TEC consultations. We would highlight that this consultation proposes material changes to a formula on which basis you propose to charge customers. It is not clear how this change will feed into the charges customers may face, and the timing of any changes.

Our ref. NGET Response - Investment  
Ahead of TEC

In our view the appropriate mechanism, which fulfills NGET's requirements under its licence, is to raise a CUSC modification. Any guidance can then fulfil the role of clearly explaining charges in plain English, instead of modifying charges and modifying the interpretation of provisions of the CUSC.

If you have any questions, please feel free to contact me (020 7811 1055, [almos@dongenergy.co.uk](mailto:almos@dongenergy.co.uk)).

Yours sincerely,

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