

**Attn: Ms Jill Perkins**

Guernsey Competition and Regulatory Authority  
Suite 4, 1st Floor  
Plaiderie Chambers  
La Plaiderie  
St Peter Port  
Guernsey  
GY1 1WG

Registered Office:  
Electricity House  
PO Box 4  
Northside  
Vale  
Guernsey GY1 3AD

T | 01481 200700  
F | 01481 246942  
E | admin@electricity.gg  
W | electricity.gg

2 April 2019  
Our Ref: JPCT/12541/tjp

Dear Sirs

**Statutory Notice of a Proposed Decision - Standby Charge for Embedded Electricity Generation**

We refer to the above Statutory Notice of a Proposed Decision (Document No: CICRA 19/13) together with the Pre-Statutory Final Decision (Document No: CICRA 19/11) following their publication on 20 March and 14 March respectively.

In response, whilst GEL is pleased that CICRA is of the view that the underlying rationale for having a standby charge is reasonable, we are concerned that the quantum and basis of determination of the proposed charge is flawed and inappropriate. The £3.07/kW/month charge, adjusted for GST, was calculated specifically for Jersey, not Guernsey, and applies principally to Solar PV, not to Combined Heat & Power (CHP) installations whose cost dynamics are completely different. The need to consider technology specific charging was a fundamental point raised in the NERA Consulting report published in Jersey and we continue to believe that application of the NERA formula would result in a significantly higher standby charge than that in the Proposed Decision, and indeed than GEL's existing rate of £6.8594/kW/month.

We note GCRA's intention that this be adopted as a 'short-term measure' and that a full review of the appropriate options available for addressing the standby charge to be applied by GEL should be undertaken – there is however no timeframe or programme of works set out defining how or when this will be completed. Having a single rate as a short-term measure, regardless of technology or size, risks misleading the market and sends the wrong economic signal to investors whose business case may need substantial revision when the final price is eventually determined and adopted. We note the position of the International Energy Group (IEG) in regard to "grandfathering" charges set before a final determination and again believe this would corrupt the future market structure in terms of fairness.

In addition, as the charge was calculated for embedded generation in Jersey up to 50kW, we also believe that if the level of charge was to be changed, the charge should reasonably be applied to all embedded generation in Guernsey, not just to units with a capacity exceeding 25kW, for reasons of fundamental consistency with the NERA report whose conclusions GCRA has drawn upon. Unfortunately, GCRA has stated in its Pre-Statutory Final Decision that it is not in a position to decide on such thresholds through its interim assessment process – with no timetable or process set out for a full review this again sends the wrong economic signal to those considering investment in small-scale renewable solutions.

GEL also remains concerned that the current structure is being given as a barrier to market entry. There are CHP embedded generation units already in use in Guernsey under the existing arrangements, installed by the company quoted as a new market entrant. Further, in IEG's response to the Draft Decision (letter dated 29 January 2019) we note reference to "major projects that we are presently working on have ultimately between four and six generators in an N-1 or N-2 configuration". Such complex embedded generation, which may contribute to the island's security of supply, is completely

different from any existing installations and falls outside of the scope of the standby charge. Projects of this scale and complexity are more appropriately dealt with as commercial arrangements under the Electricity (Guernsey) Law, 2001. GEL would expect IEG to come forward with such project proposals in order to reach contractual agreements under Section 16.

In any event, adjusting the standby charge in isolation is inconsistent and does not take account of the full picture. GEL remains of the view that a full review should take place of all tariffs and their structure to ensure the standby charge is reviewed in context, to ensure all tariffs are fair and reasonable to all electricity customers. GEL has commenced such a wholesale review of all tariffs and considers that a review of standby charges before its finalisation to be imprudent. It is also premature to conclude any change of the standby charge until such time that the direction of the island's Energy Policy is known, and this is not expected to be released for review until the late summer. This policy is also likely to provide direction in terms of security of supply and conveyance, supply and private electricity networks. All of these are matters which are interrelated to the scale of projects now being cited.

In conclusion, GEL disagrees with the Proposed Decision and requests that the GCRA gives due consideration again to completing a full review of tariffs and their structure such that cost recovery is fair and reasonable to all. This approach would be in full alignment with States Energy Policy. In the interim GEL, as stated in its last response, would consider the alternative approach suggested whereby the standby charge remains at today's level, and parties would still agree to reimburse the other should a subsequent final regulatory decision (or comparable legal standing) set a different rate. This approach could be applied to both small and larger scale installations, although as mentioned above, the latter could be covered by commercial agreements.

Yours faithfully



Julian Turner  
**Chief Financial Officer and Deputy Chief Executive**