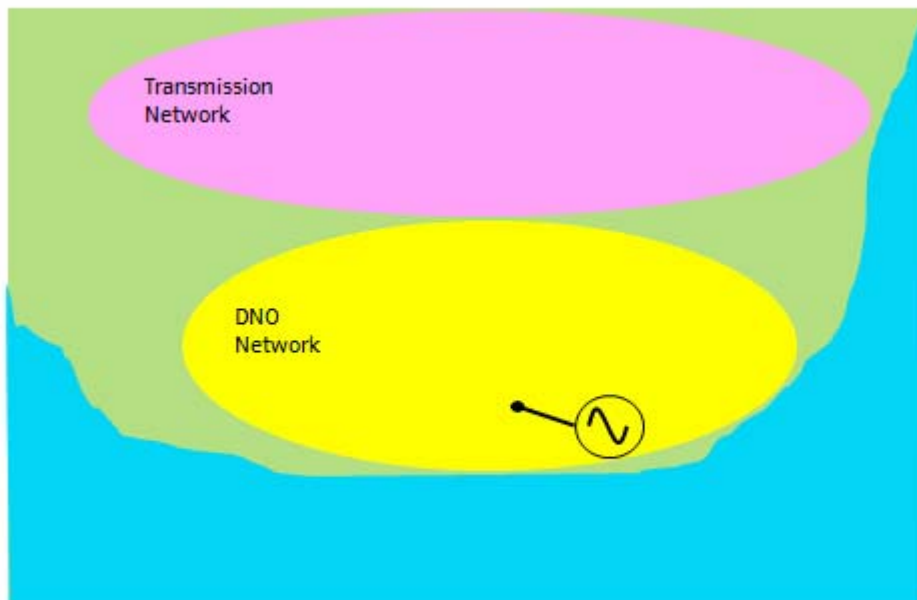


## Explanatory Appendix - Treatment of Exemptable Generators connected to Embedded Transmission Assets

This paper summarises the different treatment of Exemptable Generators that are connected to Embedded Transmission assets pre and post Go Live of the new arrangements for offshore transmission. It also summarises E.ON's and Centrica's proposed model for alternative treatment of these generators. Embedded Transmission is defined in this context as being when an offshore transmission system is connected onshore to a distribution network, rather than to the onshore transmission system.

As the proposed solution to this issue treats Embedded Transmission Exemptable Generators (ETEGs) in the same manner as onshore Embedded Exemptable Generators, it is worth illustrating how close they are in this context. Figure 1 below illustrates the position of an Embedded Exemptable Generator. It is connected via the power station assets to the distribution network.

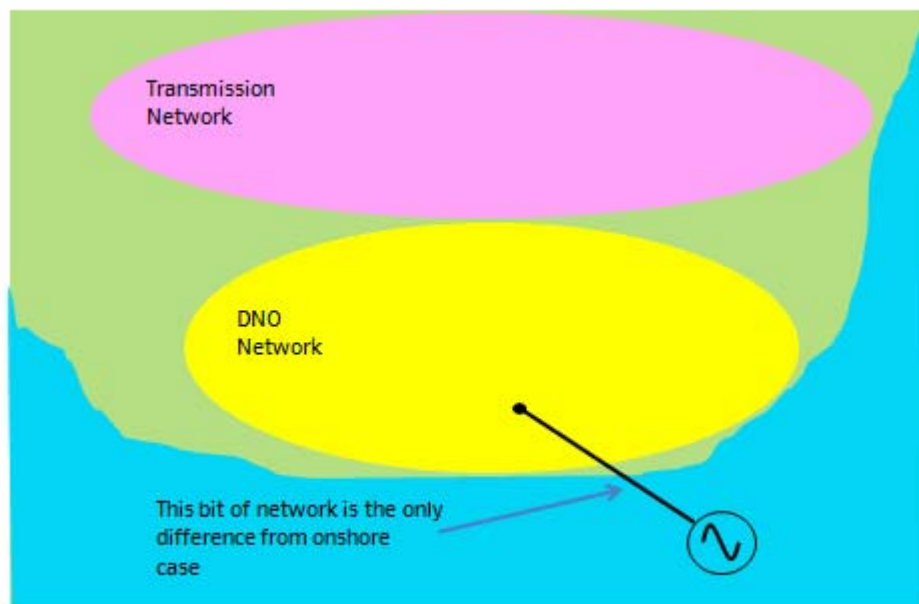


**Figure 1: Embedded Exemptable Generator**

In the present and post Go Live world, such generators are regarded as not using the wider transmission network and this affects the manner in which these generators are treated in the trading and charging arrangements.

Figure 2 illustrates the Embedded Transmission Exemptable Generator. The only difference between the generators illustrated in Figure 1 and those in Figure 2 is that there is a discrete section of offshore transmission assets between the generator and the onshore distribution network. Indeed, prior to Go Live these assets are regarded as part of the generator's assets. Subsequent to Go Live, they are regarded as being transmission assets and, under present proposals, the generators are treated very differently for trading and charging purposes (both from their previous

treatment and that of onshore embedded transmission generators that are very similar in terms of their physical connection).



**Figure 2: Embedded Transmission Exemptable Generator**

It is worth contrasting the different treatment of the different classes of Exemptable Generator. The table below contrasts the treatment of Exemptable Generators connected either directly to the DNO or via a section of offshore transmission assets.

	<b>Onshore DNO Connected Exemptable Generator</b>	<b>ETEG Pre Go Live</b>	<b>ETEG Post Go Live</b>	<b>ETEG E.ON/Centrica proposed arrangements</b>
<b>DNO Charges</b>	Liable	Liable	Liable	Liable
<b>Wider TNUoS</b>	Not Liable	Not Liable	Liable	Not Liable
<b>Offshore Transmission Costs</b>	Not applicable	Liable	Liable	Liable
<b>BSUoS/RCRC*</b>	Not liable	Not liable	Liable	Not Liable
<b>Socialised transmission losses*</b>	Not liable	Not liable	Liable	Not Liable
<b>Offshore transmission losses*</b>	Attributed to generator	Attributed to generator	Socialised as with other losses	Attributed to generator
<b>Registers meter in*</b>	SMRS or CMRS	SMRS or CMRS	CMRS	SMRS or CMRS

\* The items that are affected by treatment in the BSC

The cells highlighted in red on the table are those that show different treatment from the ETEG pre Go Live proposals. The present ETEG post Go Live arrangements are where the differences arise and the table shows the extent of those differences, even though the only real change is the re-designation of the section of offshore assets. The table also shows the consistency between the pre Go Live arrangements for ETEG and those for onshore Exemptable DNO connected generators. The only difference here is the lack of charge for any offshore assets as of course there are none for the onshore Exemptable DNO connected generators. The final column shows the proposed E.ON/Centrica model.

The aim of this model is to maintain consistency with the pre Go Live position and with the treatment of the very similar position of onshore embedded Exemptable Generators.