

Craig Maloney
Electricity Charging and Access Development
National Grid Electricity Transmission plc
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

11th October 2006

Dear Craig

British Energy response to the consultation document regarding the application of the Transmission Network Use of System charging methodology for determining generation charging zones for the price control period beginning 2007/8

This response is made by British Energy Group plc. British Energy is the UK's largest generator of electricity. We own and operate eight nuclear power stations as well as Eggborough Power Station (a large coal plant with two units fitted with FGD) and four small embedded gas generator sites. British Energy is also a large supplier selling exclusively to Industrial and Commercial customers. British Energy Direct accounts for around 30TWh of the UK supply. British Energy welcomes the opportunity to respond to the above consultation.

Key Points:

- **Of the options outlined in the consultation paper on the application of the zoning criteria British Energy supports the view that the primary criterion for determining generation charging zones for 2007/08 should be that of determining zones which could be expected to remain stable and robust over the entirety of the price control period.**
- **We do not believe that a 'weighting' system of the information in the Condition 5 report is necessary.**
- **In reviewing the application of the criteria, it has raised questions about the content of the criteria themselves.**
 - **Is +/-£1/kW still an appropriate range to determine the zonal boundaries?**
 - **Would the inclusion of non-generation connected nodes in the calculation of zonal boundaries ensure more robust zones?**

**British Energy Group plc Barnett Way Barnwood Gloucester GL4 3RS
Telephone 01452 652222 Facsimile 01452 653715**

Registered Office: Systems House, Alba Campus, Livingston EH54 7EG
Registered in Scotland No. 270184 VAT Number 671 0076 58

Detailed Comments:

The pattern of generation is likely to change a substantial amount over the next 5 years and beyond due to:

- Development of renewable generation and additional CCGTs
- Closure of older power stations
- Introduction of microgeneration
- Transmission reinforcements

This consultation and the new price control provide the appropriate point to review the approach to zoning over the price control period in order to future-proof it as far as possible.

The decision over the application of zoning criteria is a balance between promoting effective competition, by having stable predictable zones for the duration of the price control, and being as cost reflective as possible by re-zoning, possibly annually, to reflect changes in the generation configuration from year to year.

On balance British Energy believes that stability of zones is the most important factor. By fixing the zones for the price control period, users should be able to model changes to the network going forward using the Transport and Tariff model to predict tariffs over the price control period. This will enhance effective competition in generation as new users will be able to more accurately predict tariffs in the future.

The creation of the suggested 30 zones would ensure robust zonal boundaries for the duration of the price control with the exclusion of exceptional circumstances.

We do not believe a weighting system of the Condition 5 report information is appropriate. Whilst we recognise that dates of planned works completed and power stations commissioned are less certain in the latter years of the price control, the time horizon of planning consents and construction of new generation is beyond that of the price control so it is unlikely there will be any unexpected changes. Proposed changes such as CAP131 could help with firming up commissioning dates as new users will have to commit security up front.

Reviewing the criteria used to determine zonal boundaries has raised some questions which are not directly considered in the consultation document. Is the +/- £1/kW range within a zone appropriate? The +/-£1/kW has been used going back as far as the mid 1990s. Whilst the tariffs have been increasing by RPI year on year this criterion figure remains unchanged and hence is now a smaller percentage of the tariffs than when it was first introduced.

By way of example, assuming an average RPI of 2.5% over the last 7 years, since the introduction of NETA, the original £1/kW at the introduction of NETA should now be $\text{£1/kW} * 1.025^7 = \text{£1.19/kW}$. Given this change of proportion some thought ought to be given to reviewing this criterion and the impact it would have on the number and stability of zones. Intuitively it should create fewer zones but without doing the analysis it is not easy to say if it would improve the stability of zones.

Another suggestion would be to use all nodes (not just generation nodes) to determine the zonal boundaries which should be more robust to the introduction of future developments at non-generation nodes. Again, further analysis would be required.

It may be appropriate to introduce an additional criterion to the zonal boundary criteria in order to clarify the approach to zonal boundaries over a price control once National Grid have determined the way forward.

I trust this response is helpful but please feel free to contact me directly should you need clarification on any of the points made.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Louise Allport', written in a cursive style.

Louise Allport
Transmission and Trading Arrangements
British Energy Power and Energy Trading