



First Hydro Company is part of a joint venture between  
International Power plc and Mitsui & Co., Ltd.

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Dear Tom

### GBECM-11 Charging Arrangements for Local Assets

International Power (IPR) is responding to your consultation on behalf of First Hydro Company, Saltend Cogeneration Company Ltd, Rugeley Power Ltd, Deeside Power Development Company Ltd and Indian Queens Power Ltd.

### General comments

We can see the benefit in moving to a system where TNUoS is split into two elements: one relating to the Generator Specific assets and a second covering the wider assets. This will enable connections that are not SQSS compliant and have a reduced security compared to the network to benefit from a reduced charge and will also potentially facilitate TEC sharing within a zone on a 1:1 basis.

The consultation provides two methodologies for splitting the current TNUoS charge into a local charge and a zonal charge. Two options are presented: Option A based on specific treatment of local generation assets and Option B based on distance to zonal hub.

- We **support** the implementation of **Option A** as this is likely to give stable long term charges, being based on physical assets.

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- **We do not support Option B.** This is for a number of reasons
  - It utilises the secoff model, inherent in which is the underlying assumption that all parts of the network are constructed to the same standard. There are weaker parts of the network where for economic reasons or due to derogations the system is built to a lower standard. Using the secoff model on these parts of the network results in significantly higher security factors as the network has not been constructed to the same standard. Thus a saving to the cost of transmission investment is not reflected in users' charges, rather a reduced network design actually results in higher network charges.
  - Any change to the zones or location of the zonal hub will result in changes to the local charge even though there has been no change to physical assets;

**Therefore cost-reflectivity is negatively impacted under this Option**

- We have additional concerns regarding the use of the Secured Load flow model. It was developed to be used in the calculation of zonal prices where it was recognised that the simplifying assumptions that went into the model would not result in significant distortion of charges. However if this model is used at a nodal level the averaging assumptions used will significantly distort the resulting charges.
- For example the secured load flow is based on downrating the output of generation so that it meets demand. This assumption is possibly valid for larger zones but is not for nodal points. Simply changing the flow direction of a line will change the resulting prices for secured and unsecured load flows. Thus the resulting charges at a nodal level can be significantly affected by small changes elsewhere on the system.

**This is likely to result in volatile and unpredictable charges.**

We hope that these comments are useful

Yours sincerely,

Simon Lord,  
Transmission Services Manager