

Condition 4: Longer term fixed price tariffs

TCMF

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Charging Condition 4

- ◆ Condition 4 requires National Grid to:

“invite views and consult on methods of enabling users to choose to contract for rights to use the transmission system with TNUoS charges fixed for more than one year”

- ◆ To bring forward proposals to modify the use of system charging methodology for implementation in April 2007

Two strands have emerged

Long term fixed tariffs

- ◆ Little appetite without consideration of other issues
 - ◆ party responsible for risk e.g. National Grid or Industry
 - ◆ third party could provide now if feasible / desire
- ◆ Merit in considering stability and predictability of tariffs

Longer term access arrangements

- ◆ Transmission price control review considering merits of “user commitment” models
 - ◆ policy decisions needed e.g. duration of commitment
 - ◆ expected March 2006

Conclusions

Long term fixed tariffs

- ◆ Focus on stability and predictability of tariffs
 - ◆ limiting scope for making charging changes
 - ◆ improved information provision within SYS

Longer term access arrangements

- ◆ User commitment, and associated charging arrangements, developed outside charging condition

Next Steps

- ◆ Prepare a report for Ofgem outlining process, options considered and industry and National Grid views on issues
 - ◆ longer-term fixed tariffs
 - ◆ stability and predictability of tariffs
- ◆ Targeting publication early summer 2006
- ◆ Draft to be circulated within industry prior to submission