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Dear Andrew,

GB ECM-08: Modification proposal to the Transmission Network Use of System Charging Methodology to introduce charging arrangements associated with Offshore Transmission Networks

Thank you for the opportunity to respond to the above consultation. E.ON UK agrees with National Grid's proposals for the Connection/Use of System boundary, partially supports the proposals on offshore expansion factors, but does not agree with the proposals for HVDC converter stations.

Connection/Use of System Boundary

We agree with the proposal for the boundary between use of system and connection assets to be consistent with that for onshore connections. We believe that wherever appropriate the offshore regime should be the same as for onshore.

Offshore Expansion Factors

We partially support this proposal. We believe that it is appropriate that offshore substations are treated consistently with those onshore. Therefore, we agree that the cost of substations should be recovered through the residual tariff. We continue to believe that expansion factors should be generic for offshore cable assets. There appears to be some concern that this would result in a lack of cost reflectivity as the costs of offshore assets is not known with any great certainty and could vary between

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connections. However, we would be surprised if the cost per MWkm of onshore assets were the same for each connection. With any averaging, there is the possibility for individual circumstances not to be reflected accurately. However, the greater stability that averaging provides makes this trade off worthwhile.

HVDC Costs

We agree that the cable cost of HVDC links should be recovered in a consistent manner to AC cables. Although we do not support the specific expansion factor approach, if this indeed adopted for AC links then it should be applied to DC links too.

We are still unconvinced by the arguments for including DC converter stations costs into the expansion factors. As these are not affected by the MWkm of the assets, then we cannot see why they should be treated differently from substation assets. The consultation mentions that converter stations allow the use of cheaper DC cable, the implication being that it is fair that this should be wrapped up into the cost of such cable. However, this argument could be extended to say that the cost of transformers should be included in cost of onshore assets, as they are necessary to allow you to benefit from the lower cost per MWkm that higher voltage lines and cable provide. The proposal for HVDC converter stations is notably inconsistent with previous National Grid arguments with respect to the treatment of substation costs.

Offshore Transmission

We have different views in relation to the treatment of embedded transmission. The different access restrictions that these connections are likely to face mean that they are more akin to embedded connections. However, we note that this issue is not covered as part of this consultation. We would very happy to discuss our proposals with National Grid prior to any consultation that you may consider issuing.

Yours sincerely

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Trading Arrangements