

TOTAL GAS & POWER LIMITED

Alex Thomason
Commercial Frameworks
National Grid Company plc
NGT House
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Warwick
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10 October 2003

Dear Alex,

National Grid Charging Methodologies Consultation

Total Gas & Power Ltd (Total) welcome the opportunity to respond to the Charging Methodology Modification Proposals CCM-M-07, UoSCM-M-10 and UoSCM-M-11.

Connection Charging Methodology Proposal: CCM-M-07

Total welcomes NGC's commitment to review the present charging arrangements and consult upon proposals that improve cost reflectivity and encourage competition in the provision of connection. We recognise that better defining the present connection and infrastructure boundary will assist the move to shallow connection charging and addresses the inconsistent treatment that presently occurs within the 'hybrid' shallow-deep connection-charging regime. Hence the movement of those shared connection assets into infrastructure is a logical step towards the objectives of further developing cost reflective charges and promoting competition in the provision of connections.

Total considers, however, the subsequent recovery of these new infrastructure costs should be on a non-locational basis. Overall we believe this would better assist the achievement of cost-reflective charges, remove inconsistencies within the present arrangements and would not unduly affect charging stability. We are therefore disappointed that National Grid has chosen to allocate the costs associated with generation only spurs within infrastructure on a locational basis. Total consider the resulting volatility in Transmission Charges will impact Users' expectations such that charging methodology changes have the ability to create substantial risks that are difficult if not impossible to mitigate. Clearly we believe this does not facilitate National Grid's other licence objective of facilitating effective competition in the generation and supply of electricity. Total therefore recommends that Ofgem reject charging methodology proposal CCM-M-07.

Use of System Charging Methodology Proposal: UoSCM-M-10

Total considers the introduction of a DC loadflow algorithm and the derivation of a forward-looking expansion constant that removes the sub-station element from its calculation and treats such costs on a non-locational basis will lead to more cost reflective and stable charges. Further, we support retention of the present flat



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treatment of security costs and consider that compelling reasons do not exist to justify the application of a security factor against the basic intact DC loadflow model. We believe the consequence of the proposed treatment of security costs will be to artificially increase charges at the peripheries of the grid in a manner that is not consistent with the level of security required for voltage support at these points. Total therefore supports the implementation of UoSCM-M-10 without the locational security factor.

Use of System Charging Methodology Proposal: UoSCM-M-11

Total is concerned that a move to this form of a charging mechanism is premature, has been insufficiently developed and the subsequent impacts upon generation and supply have not been evaluated. In addition we believe that insufficient lead-time currently exists to ensure suppliers billing systems are not adversely affected and that minimal impact is experienced by end-users. Total recommend that a minimum of one year lead time prior to implementation is provided, to enable supplier systems and end-user contracts to respond appropriately and the impact upon competition to be evaluated before implementation. Total strongly recommends that Ofgem reject the implementation of this proposal to ensure that competition within the generation and supply markets is not adversely affected.

Interconnector charges

Total believes the current Triad methodology for determining TNUoS demand charges for interconnector users creates artificial distortions and a high level of uncertainty that leads to reduced export flows in the winter.

We remain of the view that the Interconnector warrants special treatment due to the security of supply advantages provided from an interconnection to the European grid. Also we continue to believe the market price driven by the fundamentals should determine the level and direction of cross border flows and not the application of a sterilising TNUoS charge.

We note that National Grid have not proposed to address this anomaly. Total therefore consider that an ideal opportunity has been missed for National Grid to rectify the inappropriate treatment applied to Interconnector Users and for it move in a positive direction towards aligning the treatment of these flows in a manner consistent with other European Transmission System Operators.

We hope you regard these comments as being constructive. Please contact me on 020 7318 6880 if you would like to discuss our response.

Yours sincerely,

Sharif Islam
Energy Regulation Manager



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