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Dear Stuart,

The following comments are made on behalf of RWE Trading, RWE Innogy plc, Innogy Cogen Ltd., Innogy Cogen Trading Ltd., npower Ltd., npower Northern Supply Ltd., npower Yorkshire Supply Ltd, npower Northern Ltd, npower Yorkshire Ltd, National Wind Power

GB Transmission Charging – Initial Thoughts and Addendum to GB Transmission Charging: Initial Thoughts Consultations

RWE welcomes the opportunity to comment on the sensitivities of the GB Transmission charging model illustrated in the Addendum document. The comments below should be read in conjunction with our original response, dated 30 December 2003, to the “Initial Thoughts” document.

RWE support the development of cost reflective charges for transmission use of system on a GB basis. We recognise that this has the potential to result in significant regional variations in zonal tariffs. These tariffs provide appropriate locational signals, particularly in relation to the development of new generation schemes. Such locational signals should ensure that investment in transmission assets is efficiently incurred, that the costs that users impose on the system are recovered from those that cause them to be incurred and that cross subsidies between users are eliminated.

We note that some of the scenarios examined have been driven by the fact that there is not yet available a contractual value for Scottish generation capacities. We would welcome confirmation from NGC that these contractual values must be finalised by September this year to enable their publication in the SYS October Update and subsequent use as nodal generation input data for the ICRP model for the calculation of 2005/06 GB TNUoS tariffs. Otherwise, an alternative and consistently derived set of nodal input data must be used for all GB generation.

The other scenarios in the Addendum document explore alternative methods of adjusting the expansion constant and expansion factors used in the E&W model to represent a GB network.

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The number of different scenarios analysed highlights the degree of uncertainty over the appropriate methodology for a network incorporating 132kV. It is imperative that the proposed Transmission Charging Model expert group is established immediately to resolve such fundamental issues well in advance of the publication of indicative 2005/06 GB tariffs in November. We further believe that it is appropriate for the expert group to address the issue of collaring demand tariffs to zero.

Yours sincerely

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