



Direct Dial: 020-7901-7412

19 December 2003

National Grid Company, CUSC Signatories and
Other Interested Parties

Our Ref: UoSCM-M-10

Dear Colleague

**Decision in relation to Use of System Charging Methodology Modification UoSCM-M-10:
“Proposal to amend the methodology for calculation of locational TNUoS tariffs”**

The Gas and Electricity Markets Authority (the ‘Authority’)¹ has carefully considered the issues raised in the Conclusions Report² in respect of the proposed Use of System Charging Methodology Modification-10 (‘UoSCM-M-10’) “Proposal to amend the methodology for calculation of locational TNUoS tariffs”.

National Grid Company plc (‘NGC’) submitted the Conclusions Report to the Authority on 21 November 2003 and recommended to the Authority that the proposed modification should be made.

Ofgem has decided **not to direct** that the proposed UoSCM-M-10 may not be made. The modification will therefore be implemented on 01 April 2004 as set out in the Conclusions Report.

This letter sets out the background to the modification proposal, explains the proposed modification, reports on respondents’ views and sets out Ofgem’s reasons for its decision.

This letter constitutes the notice by the Authority under section 49A of the Electricity Act 1989.

¹ Ofgem is the office of the Authority. The terms ‘Ofgem’ and ‘the Authority’ are used interchangeably in this letter.

² “Conclusions Report, Modification Proposal to the Use of System Charging Methodology, UoSCM-10 Proposal to amend the methodology for calculation of locational TNUoS tariffs”, dated 21 November 2003.

Background

NGC's Use of System Charging Methodology details how it recovers the costs of providing a transmission system for the bulk transfer of electricity between connection points and of providing transmission system security. The amount that NGC can recover via transmission network use of system ('TNUoS') charges is regulated by a price control set by Ofgem. The current transmission price control runs from 1 April 2001 until 31 March 2006³.

NGC is required by its transmission licence to keep its Use of System Charging Methodology and its Connection Charging Methodology (the 'Charging Methodologies') under review at all times⁴. NGC must bring forward proposals to modify its Charging Methodologies that it considers will better facilitate achievement of the relevant objectives set out under the transmission licence⁵. In addition, the transmission licence sets out that NGC cannot discriminate between any persons or class or classes of persons in providing use of system or in carrying out works for the purpose of connection to the transmission system⁶.

³ Ofgem has recently published its view that it is minded to extend NGC's transmission owner price control until 31 March 2007 to line up with the price control for Transco, the transmission owner for the national gas transmission system. Further details are available from Ofgem's webpage on http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/5115_timetable_reviews_openlet_18nov03.pdf

⁴ See Conditions C7A.1 and C7B.2 of NGC's transmission licence.

⁵ The Relevant Objectives of the Use of System Charging Methodology, as contained in Condition C7A.5 of NGC's transmission licence are:

- (a) that compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;
- (b) that compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs incurred by the licensee in its transmission business; and
- (c) that, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in the licensee's transmission business.

The Relevant Objectives of the Connection Charging Methodology, as contained in Condition C7B.11 of NGC's transmission licence, are:

- (a) the objectives referred to in paragraph 5 of standard condition C7A (Use of System Charging Methodology), as if references therein to the use of system charging methodology were to the connection charging methodology; and
- (b) in addition, the objective, in so far as consistent with sub-paragraph (a), of facilitating competition in the carrying out of works for connection to the licensee's transmission system.

⁶ See Condition C7C of NGC's transmission licence

In this context, NGC has reviewed its Charging Methodologies, in consultation with users. NGC initiated the review in February 2002. The review has been progressed through workshops, discussion papers, industry consultations and seminars.

The timing and progression of the review was informed by specific commitments NGC made to Ofgem in March 2003. NGC's commitments included reviewing its Charging Methodologies and where appropriate bringing forward proposals for implementation in April 2004 in respect of the investment cost signals given by TNUoS charges, specifically looking at the marginal costing method and the locational signals provided by the charges⁷.

In September 2002, NGC held a Use of System Charging Review workshop where it identified a number of areas of further work, including:

- ◆ the assessment of a simplified Direct Current Load Flow (DC load flow) model⁸ for the purpose of calculating transport charges,
- ◆ alternative methods of calculating the expansion constant to those used in the current model, and
- ◆ the treatment of security on a locational basis.

Ofgem published an open letter to the industry on 9 June 2003 inviting views on any issues in relation to NGC's transmission charging review. The letter and all twelve responses can be found on Ofgem's webpage⁹.

In July 2003 NGC issued a consultation document ("Initial Charging Methodologies Consultation"¹⁰) setting out proposals to modify the Use of System Charging Methodology to:

- ◆ introduce a DC load flow model in the calculation of use of system charges,
- ◆ introduce multivoltage and forward looking expansion constants, and
- ◆ charge for system security on a locational basis.

⁷ All of NGC's commitments are listed in "NGC system operator incentive scheme from 1 April 2003 – 31 March 2004: Final Proposals and Statutory Licence Consultation, Ofgem, March 2003", at paragraphs 6.14-6.18. This document is available electronically from http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2545_16so_incentives.pdf.

⁸ NGC presently uses an investment cost related pricing model (ICRP) for the purposes of calculating its TNUoS charges.

⁹ See Ofgem's webpage at the following address:

http://www.ofgem.gov.uk/ofgem/work/index.jsp?section=/areasofwork/electradingarrangements&levelids=,1_3687#top3687

¹⁰ This Initial Charging Methodologies Consultation document is available from NGC's webpage at [http://www.nationalgrid.com/uk/indinfo/charging/pdfs/Initial_Charging_Meths_consultation_July_2003_FINAL_\(z6\).pdf](http://www.nationalgrid.com/uk/indinfo/charging/pdfs/Initial_Charging_Meths_consultation_July_2003_FINAL_(z6).pdf)

NGC also set out proposals for changing the Connection Charging Methodology to ensure that all shareable assets are charged for via use of system charges rather than connection charges.

NGC invited views from users by 1 August 2003.

In light of respondents' views, NGC issued a consultation on modification UoSCM-M-10¹¹ on 12 September 2003 to modify its Use of System Charging Methodology¹². NGC invited responses by 10 October 2003.

The proposed modification

The proposed modification to the Use of System Charging Methodology has the following elements:

- ◆ **Introduction of DC load flow model in setting charges:** Use of system charges will be calculated using a simplified DC load flow model rather than the current model. The DC load flow model will more accurately represent the electrical characteristics of NGC's transmission system compared to the current model. This is because the DC load flow model derives the power flows for a given generation and demand pattern on the network from impedance values of the transmission lines, rather than their relative length.
- ◆ **Introduction of forward looking expansion constant:** The expansion constant is used to derive the £/kW charges from the results of the DC load flow model (expressed in MWkm). The expansion constant will be calculated using forward looking rather than historic costs. NGC will calculate the expansion constant taking into account its commercial information on the current and forecast cost of investment for transmission infrastructure, including information on manufacturers' budgetary prices, contracts let and lead tenders.
- ◆ **Introduction of multi-voltage expansion factor:** The costs of overhead lines and cables are different. Likewise, the costs of investing in transmission at different voltage levels are also different. At the moment a single expansion constant converts the MWkm results of the charging model to £/kW charges. To better reflect these cost differences, NGC proposes to

¹¹ NGC's consultation document can be found on

http://www.nationalgrid.com/uk/indinfo/charging/mn_modifications.html.

¹² On 12 September 2003, NGC also issued a consultation on a modification to its Connection Charging Methodology (Connection Charging Methodology Modification-07: "Implementation of "PLUGS" – Change to Connection Boundary and associated removal of Land Charges and Type B Termination Charges and Change to Calculation of Site Specific Maintenance Charges" (CCM-M-07)). Details of this modification can be found on http://www.nationalgrid.com/uk/indinfo/charging/mn_modifications.html. Ofgem's decision in relation to CCM-M-07 has been issued concurrently with this letter.

calculate the forward looking expansion constant for 400kV overhead lines, and apply expansion factors for 275kV overhead lines, 400kV cables and 275kV cables.

- ◆ **Introduction of locational security factor:** Currently, the model used for calculating use of system charges assumes an intact network (i.e. all lines are in service). However, to ensure system security, NGC must invest in more capacity than is necessary under the assumption of an intact network. The costs of providing this additional capacity are currently charged on a non-locational basis as part of the security and residual element of the use of system charge. NGC considers that the cost of providing a secure system varies on a locational basis. This could be specifically accounted for by using a secure DC load flow model. However, NGC considers that this would be non-transparent and complex. NGC therefore proposes to introduce a security factor to the expansion constant to represent the locational element of providing a secure transmission system.
- ◆ **Non-locational charging of sub-station assets:** Currently some elements of sub-stations are charged for locationally. NGC proposes that the costs of sub-stations should be charged on a non-locational basis. NGC considers that there are no clear locational cost patterns for the distribution of sub-stations. NGC considers that some investment in sub-stations to provide reactive power compensation capabilities is driven by locational considerations. However, NGC considers it to be overly complex to represent this in the simplified DC load flow model.

Respondents' views

NGC received 22 responses to the consultation, including two confidential responses. Eight respondents supported the proposed modification, 12 respondents did not and two respondents commented without expressing support or opposition to the proposed modification.

Those respondents who supported the proposed modification were in favour of the introduction of a DC load flow model because it provides a more accurate representation of the transmission system, and therefore would lead to more accurate charges. However, four of the supporting respondents did not support the proposed locational security factor while another respondent asked for more information. One respondent supported using a secure DC load flow model rather than the proposed simplified DC load flow model with a locational security factor. A further respondent favoured most elements of the proposed modification but expressed concern over the indicative generation zones provided in the consultation document.

Two of the respondents opposed to the proposed modification, believed the change would result in an unacceptable increase in charges for use of the transmission system.

Five respondents commented that the change did not facilitate competition.

Two respondents considered that it was not clear that the proposed methodology would reflect the costs incurred in NGC's transmission business. Another respondent commented that there would be a reduction in cost signals to users.

One respondent considered that transmission of electricity relies on existing transmission assets. Therefore, this respondent considered that the cost of providing existing transmission assets should be taken into account when setting use of system charges.

Two respondents considered that substation costs should be charged on a locational basis and included within the expansion constant.

Eight respondents considered that the cost of security should be levied on a flat uniform basis. Another three respondents challenged the technical basis for calculation of the security factor. One responded considered that NGC should review the proposed security factor at least twice every price control period to ensure it would remain a fair representation of the costs incurred.

One respondent commented that the change represented a regulatory risk to generators as the proposed changes may impact on generators' past and future investment decisions. This respondent considered that the regulatory risk could affect security of supply if generators were to reduce their availability as a consequence. In addition, this respondent considered the proposed modification would not give signals for new generation capacity to be built or made available, especially for low capacity plant.

Another respondent stated that the proposal contained elements that had not been properly discussed during the review process. The respondent considered this particularly applied to the potential for more frequent review of generation charging zone boundaries.

One respondent who supported the adoption of a DC load flow model raised concerns over some of the particular aspects of the model that NGC has put forward for consideration. The respondent considered that an expert group should be established to review the model.

One respondent raised concerns over the treatment of interconnectors within NGC's use of system charging methodology. The respondent considered that NGC's charging review provided an ideal opportunity to identify an interconnector-specific charge for use of the transmission system.

One respondent considered that the changes were not required. Another respondent considered that they were too complex for individual parties to understand the impact on their business.

The Conclusion Report for UoSCM-M-10 contains a summary of respondents' views and the full text of non-confidential responses.

NGC's view

NGC's recommendation

NGC did not make any changes to the proposed modification in light of respondents' views. NGC recommended to the Authority that UoSCM-M-10 should be implemented on 1 April 2004.

NGC considered that the proposed modification will better facilitate achievement of the Relevant Objective of ensuring that compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs incurred by NGC in its transmission business.

In more detail, the rationale provided by NGC for the proposal can be summarised as follows:

- ◆ **DC load flow model:** NGC believed that using a simplified DC load flow model will better reflect the cost of investment in the transmission system as the model better represents the electrical characteristics of the transmission system.
- ◆ **Forward looking expansion constant and multi-voltage expansion factors:** NGC believed that using forward looking costs will better reflect the true cost of incremental investment for new and additional requirements to use the transmission system. NGC also considered that this process is more transparent than the current one as it provides an opportunity for further analysing costs relating to type of conductor and by voltage.
- ◆ **Treatment of substation costs in the expansion constant:** NGC considered that there are no clear locational cost patterns for the distribution of sub-stations. NGC therefore considered it appropriate to remove this element from the derivation of the expansion constant.
- ◆ **Locational security factor:** NGC believed that the proposed locational security factor would better reflect the costs incurred by NGC in investing in additional transmission assets to provide security for transmission outages. NGC considered that a locational factor is required in order to represent the incremental investment in capacity required to provide security for transmission outages on a locational basis.

NGC's comments on respondents' views

NGC also provided some comments in response to the views received from users during the consultation on UoSCM-M-10. The section below sets out a summary of NGC's comments on respondents' views. The Conclusion Report for UoSCM-M-10 contains a full description of NGC's comments on respondents' views.

In response to the view that the proposals would lead to an unacceptable increase in costs, NGC considered that it must comply with the licence requirement to bring forward proposals that it considers will lead to better facilitation of the relevant objectives. It therefore cannot take into account individual users' charges when proposing changes to the charging methodologies. NGC considered that its proposals increase the overall cost-reflectivity of its tariffs.

NGC did not agree with the view that the proposal will not facilitate competition and considered that the proposals will lead to better cost reflection in its charges.

NGC did not agree that the proposal would lead to less cost reflection in its charges. NGC believed that the adoption of a simplified DC load flow model, using a forward looking, multi-voltage expansion constant, non-locational charging of sub-station assets and locational charging of security costs would lead to better cost reflection in its charges.

In response to the view that the proposals would reduce cost signals, NGC considered that the reduction in some tariff differentials is offset by the improvement in cost-reflectivity.

NGC did not agree that the expansion constant should be calculated using historic costs. NGC noted that the expansion constant is intended to reflect the provision of incremental capacity to better reflect the marginal cost of investment, and that therefore the use of historic costs is inappropriate.

NGC considered that the locational nature of substation costs can only be represented within a significantly more complex charging model. As a simpler approach than that required for such a purpose has been proposed, NGC considered that the non-locational element of substations has to be removed to preserve the cost-reflectivity of the other elements of the methodology.

In response to those respondents that considered that security should not be charged on a locational basis, NGC noted that it has concluded that the costs of the provision of security vary on a locational basis. NGC therefore considered it appropriate to charge security locationally on grounds of enhanced cost-reflectivity. NGC recognised that the use of a basic DC load flow model is not as cost specific as a secure DC load flow model. However, NGC considered that the proposed approach has merit in terms of accessibility to users and transparency.

In response to the concerns raised about regulatory risk, NGC noted that it is not permitted by its licence to take into account individual user impacts when proposing changes. It also commented that it does not see why the proposal should lead to reduced generator availability.

NGC agreed that the issue of more frequent reviews of generation zoning had not been fully explored during the review process. However, it noted that the matter had been explored more fully during the consultation process. NGC highlighted that any reviews of generation charging

zones would be limited to exceptional circumstances, but would in some cases be necessary to ensure cost-reflective charges for the remainder of a price control period.

In response to the concerns over flaws in the proposed DC load flow model, NGC commented that it intends to keep the model under review as required by its licence. NGC said that while it welcomes suggestions for improvements to the model, this should not delay its implementation as adoption of the model in its current form would better meet the relevant licence objectives. NGC suggested that consideration could be given to establishment of an expert group if the model is implemented.

NGC considered that it had addressed interconnector issues in its charging review. NGC highlighted discussion and debate that had taken place, including specific consultations on demand charging for interconnectors. However, following the review, NGC concluded that there were no grounds to propose changes to the charging arrangements for interconnectors at this time.

NGC did not accept that the proposed changes were not required, and believed the proposed changes would better meet the Relevant Objectives.

In response to concerns that the proposed changes are too complex for users to understand, NGC noted that its review process has been inclusive to foster understanding of its proposals. In a number of instances, such as the development of the locational security factor in preference to a secure DC load flow model, NGC has explicitly recognised the trade off between increased cost-reflectivity and the need for simplicity and transparency in the charging methodologies.

Ofgem's view

Ofgem has decided not to direct that NGC's proposed changes to the Use of System Charging Methodology as set out in UoSCM-M-10 may not be made. In making its decision, Ofgem has had regard to its statutory duties set out in the Electricity Act 1989, the Relevant Objectives of the Use of System Charging Methodology, the responses to NGC's consultations on CCM-M-07 and UoSCM-M-10, the responses to Ofgem's open letter on transmission charging issues, and responses to Ofgem's consultation to make consequential changes to NGC's transmission licence if CCM-M-07 were implemented.

The Relevant Objective that compliance with the use of system charging methodology results in charges which reflect the costs incurred by NGC in its transmission business.

Ofgem considers that UoSCM-M-10 will improve the cost-reflectivity of NGC's charges. Cost-reflective charges encourage efficient use of the transmission system. This is because cost-reflective charges appropriately signal the costs of locating at different points of the transmission system.

Ofgem agrees with NGC and those respondents that considered that a DC load flow model will provide a better representation of the transmission network compared to the currently used model. This is because the proposed simplified DC load flow model will be able to take into account factors such as the impedance of transmission lines rather than relying on their relative length. Ofgem therefore considers that the simplified DC load flow model will better represent the marginal cost of providing the transmission network at different locations on the network.

Ofgem notes that one respondent who supported the adoption of a DC load flow model had some concerns regarding some aspects of the proposed model. Ofgem agrees with NGC that it should continue to review, and if necessary put forward proposals to change the DC load flow model used for calculating use of system charges. Ofgem also supports the suggestion of establishing an expert group, including interested parties from outside NGC, to review the DC load flow model and if necessary bring forward appropriate changes.

Ofgem considers that a review of the current generation zones would be necessary to ensure that the use of system charging methodology delivers cost-reflective charges. Ofgem considers this to be particularly important in view of the changes that will be implemented in the Connection Charging Methodology on 1 April via CCM-M-07. The changes to the Connection Charging Methodology will mean that some assets that are currently charged for via connection charges (such as generation only spurs) will be charged for via use of system charges. Ofgem considers that the review of generation charging zones will be necessary to ensure that these assets are charged for in a cost-reflective manner. Ofgem also agrees with NGC that it must keep the generation zones under review, and propose changes in the boundaries if necessary to ensure continued cost-reflection in its charges.

Ofgem also agrees with NGC and those respondents that considered the expansion constant should be based on forward looking rather than historic costs. It is important to signal to users and NGC the incremental cost of providing transmission capacity at different points of the system. Ofgem considers that the incremental cost of providing transmission capacity would be better represented by using up to date forward looking cost estimates rather than being based on historic investment costs. Ofgem considers NGC's transmission owner price control ensures that NGC can recover its historic costs of providing the transmission system by recovering any residual amounts via the non-locational element of its use of system charges.

Ofgem also agrees that there should be different expansion factors to represent the different costs of building cables and overhead lines, and also of investing in the transmission system at different voltages. Ofgem considers that NGC's charges will become more cost reflective by introducing this change.

Ofgem agrees that the cost of providing a secure transmission system (i.e. to have additional capacity available in case of for example outages) should be reflected in the charges to the users

of the transmission system. Ofgem considers that the cost of providing additional capacity in, for example, the event of outages would exhibit the same characteristics as providing incremental transmission capacity. If providing incremental transmission capacity in a particular location is expensive, then the incremental capacity necessary for security purposes to accommodate the incremental transmission capacity at this location would in general be similarly expensive. Ofgem therefore considers that targeting costs related to providing a secure transmission system on a locational basis would lead to better cost reflection in NGC's charges.

Ofgem notes the comments from some respondents that NGC should review its proposed simplified approach to charge security on a locational basis by applying a security factor to the expansion constant. Ofgem considers that the proposed security factor represents an improvement over the current approach, where security is charged on a uniform basis. Ofgem also agrees with NGC that it is important to ensure that the model it uses to calculate charges is transparent and accessible to users. Ofgem therefore agrees with the proposed approach of using an expansion factor to represent security in the simplified DC load flow model. However, Ofgem considers that NGC, in consultation with users, should continue to monitor these arrangements and bring forward any necessary proposals which could bring about improved cost-reflectivity, whilst ensuring accessibility and transparency in the model for users.

Whilst Ofgem agrees that there are clear advantages in keeping the model to derive use of system charges as transparent and simple as possible to allow users access to it, Ofgem considers that NGC should continue to assess whether the cost of providing sub-stations could be better reflected in its charge setting.

For the reasons mentioned above, Ofgem considers that UoSCM-M-10 will better facilitate achievement of the Relevant Objective that compliance with the use of system charging methodology results in charges which reflect the costs incurred by NGC in its transmission business. Cost reflective charges help ensure non-discriminatory access to the transmission system by unwinding potentials for cross-subsidies.

The Relevant Objective of facilitating effective competition in the generation and supply of electricity and in the sale, distribution and purchase of electricity.

Cost-reflective charges incentivise the efficient use of the transmission system by exposing users to the cost of locating at different points of the network. This, in turn, ensures that generators and suppliers can secure lower costs in running their business by taking account of locational differentials in use of system charges. Ofgem therefore considers that UoSCM-M-10 will be beneficial to competition in generation and supply of electricity.

The Relevant Objective that the use of system charging methodology properly takes account of the developments in NGC's transmission business.

The proposal to review the charging zones for generation will ensure cost-reflectivity in NGC's charges in the light of the changes proposed to the Connection Charging Methodology via CCM-M-07. Ofgem considers it necessary to review the zonal boundaries to ensure that the assets that have been charged for via connection charges, but that will now be charged for via use of system charges, are charged for in a cost reflective manner. Ofgem therefore considers that UoSCM-M-10 will facilitate achievement of the Relevant Objective that the use of system charging methodology properly takes account of the developments in NGC's transmission business.

The transmission licence obligation of ensuring non-discrimination in the provision of use of system and in the carrying out of works for connection.

Ofgem considers that the proposed modification is consistent with NGC's licence obligation of ensuring non-discrimination in the provision of use of system and in the carrying out of works for connection. This is because ensuring cost-reflectivity in charges is beneficial in helping to ensure non-discrimination in the provision of use of system.

Other considerations

Ofgem does not agree with the respondent that considered that the proposed changes represent a regulatory risk that will impact negatively on past and future investment by generators. Ofgem considers that it is clear from NGC's licence objectives that it must continuously review, and bring forward proposals for changing its Charging Methodologies that may better facilitate achievement of the Relevant Objectives. In addition, Ofgem has the right to veto any proposals for changing NGC's Charging Methodologies. In making its decision to exercise the veto power, Ofgem will always have regard to its wider statutory duties, as well as the Relevant Objectives of the Charging Methodologies, and any representations made during the consultation process. In this context, Ofgem considers that market participants have a well-defined framework within which to make their investment decisions.

British Electricity and Trading Arrangements and GB wide consultation

On 17 January 2003, Ofgem wrote to the chairmen of the Balancing and Settlement Code Panel and the Connection and Use of System Code Amendments Panel to explain that Ofgem would consider whether to consult on modifications on a GB wide basis from the time of second reading in Parliament of the Bill necessary to introduce British Electricity and Trading Arrangements ('BETTA'). Ofgem wrote to the chairmen again on 5 December, giving further

guidance on the process for consultation leading up to BETTA¹³. The draft Energy Bill, which will enable introduction of BETTA, had its second reading in Parliament on 11 December 2003¹⁴.

Ofgem will consider, on a case by case basis, whether proposals to modify NGC's Charging Methodologies merit GB wide consultation prior to Ofgem making its decision. Wherever possible, Ofgem intends to conduct the GB wide consultations in parallel with NGC's consultation, to allow Ofgem to have view of any GB representations when making its decision on these modification proposals.

Ofgem has decided not to consult GB wide on CCM-07 and UoSCM-10. NGC is conducting a GB wide consultation on GB Charging Methodologies, which includes the proposed changes in CCM-M-07 and UoSCM-M-10¹⁵. Ofgem will have regard to all responses to NGC's consultation when making its decision on GB wide charging methodologies.

The Authority's Decision

The Authority has therefore decided **not to direct** that the proposed UoSCM-M-10 may not be made. The proposed UoSCM-M-10 will therefore be implemented on 1 April 2004, as set out in the Conclusion Report to the Authority.

Please contact me on the above number if you have any queries in relation to the issues raised in this letter or alternatively contact Richard Ford on 020 7901 7411.

Yours sincerely



Sonia Brown

Director, Electricity Trading Arrangements

Signed on behalf of the Authority and authorised for that purpose by the Authority

¹³ These letters can be downloaded from Ofgem's webpage on www.ofgem.gov.uk

¹⁴ See Hansard available from http://www.parliament.the-stationery-office.co.uk/pa/ld199697/ldhansrd/pdvn/lds03/text/31211-01.htm#31211-01_head0

¹⁵ NGC's consultation document was issued 16 December and is entitled "GB Transmission Charging: Initial Thoughts". It is available from NGC's website at http://www.nationalgrid.com/uk/indinfo/charging/pdfs/NG_GB_Charging_Initial_Thoughts.pdf. NGC has invited responses by 30 January 2004.