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Dear Stuart,

GB Transmission Charging: Initial Thoughts

Thank you for the opportunity to comment on the above consultation paper which raises a number of important issues. British Energy notes that since the publication of this document the proposals for modification to the England and Wales Charging Methodologies (CMM-M-07 and UoSCM-M-10) have been accepted by Ofgem. There are still, however, a number of fundamental concerns to be resolved with the GB arrangements.

Key Points

- **We consider the application of the GB model as proposed to be fundamentally flawed.**
- **NGT have made some significant and largely unjustified assumptions in the model input data and have not applied consistent zoning criteria in their application to England and Wales and the two Scottish transmission networks to derive indicative GB tariffs.**
- **We therefore have no confidence that the currently proposed GB model provides a firm basis for a robust GB charging framework.**
- **BE welcomes the additional information contained in the Addendum to this consultation. However until the deficiencies identified within this response are resolved, it remains of limited value.**
- **NGT need to urgently develop an accurate and auditable GB charging model which industry participants can have confidence in and which clearly addresses the issues we have identified in this response.**

- **The current flawed model indicates a significant and disproportionate increase in generator charges in Scotland. If any final, audited model continues to identify any significant increase in charges for generation in Scotland or for customers in the south/south west of England, then these should be phased in over an appropriate timescale.**

Detailed Comments

There are a considerable number of model input assumptions which we consider make this GB model fundamentally flawed to the extent that this current model cannot be considered to provide a firm and accurate basis for the development of a robust GB charging framework.

Whilst we note that NGT have themselves recognised shortcomings in the consultation document, it is vitally important that NGC urgently develop a GB charging model which is accurate, transparent and auditable and make this available to industry participants.

We have consistently argued during the recent England & Wales charging discussions that any model should be robust, provide stability and predictability and also allow industry participants to replicate charges/tariffs and perform scenario analyses. We hope that these considerations will be central to the development of the model.

To support our concerns, we would highlight the following issues which require resolution. These include the :-

- options for, and the implications of, the application of consistent zoning criteria for generation zones across the whole GB transmission network.
- treatment of Scottish connection and interconnector assets and the definition of the regulatory asset base.
- establishment of a transparent methodology to define gross asset values (GAVs) or equivalent figures for Scottish connection assets.
- collection and collation of appropriate data for use in a GB version of the transport and DCLF tariff modelling process which includes confirmation of the assumed generation charging base, and defining a transparent process to establish appropriate TEC values for Scottish generation.
- development of an appropriate 132kV expansion factor for the treatment of Scottish transmission network assets
- auditable identification of Scottish transmission circuits with spare capacity
- confirmation of the appropriate security factor to apply on a GB basis
- treatment of renewables in Highlands and Islands
- treatment of negative demand charges

The above should not be considered as an exhaustive list but clearly the combination of these issues renders it impossible to place any confidence in the tariffs published either within the consultation or the subsequent Addendum material.

In addition to the above, we note that there is the major issue of how the future investment in the transmission networks to support the Government's renewable objectives is addressed and await the DTI's conclusions from the consultation. It is vitally important for existing industry participants that resolution of this investment issue is not performed in a way which distorts the overall basis for transmission charging, irrespective of the type of generation.

Where the new charging arrangements result in a significant change in the charges to be paid by industry participants, there must be appropriate transitional relief schemes allowing changes to be phased in over an appropriate timescale.

If you require any clarification of the above, please do not hesitate to contact me to discuss any of the issues in more detail.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Steve Phillips', written in a cursive style.

Steve Phillips

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