

GRANGEMOUTH CHP LIMITED

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Stuart Easterbrook
Transmission Charging Manager
National Grid Company plc
NGT House (Floor C3)
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GCHPL-B100-018

Dear Mr Easterbrook

April 2004 Consultation Paper: GB Transmission Charging: Initial Methodologies

Fortum Group, owner of Grangemouth CHP Ltd, welcomes the opportunity to respond to this consultation.

We wrote in response to the Initial Thoughts consultation, setting out a number of concerns with the proposed approach and its the practical consequences for CHP generators such as GCHPL. We note that section 4.1 of the current consultation identifies a number of issues which National Grid will not consider further; most of our concerns stem from issues which National Grid has placed within this category. Whilst Ofgem / DTI's December 2003 conclusions identified the E&W Transmission Charging methodologies as the basis on which National Grid should consult for GB transmission charging methodologies, it is disappointing that legitimate concerns stemming from a relatively simplistic extension of the existing methodology, which may well strike the right balance in an England and Wales context, appear to have been brushed aside on the basis of reference to Ofgem's decision regarding the starting point for the consultation process.

Ofgem have made their own position clear, that as the body charged with final approval of the proposed GB Transmission Charging Methodologies, Ofgem is not in a position to participate in the debate over methodologies as they are developed. Therefore by ring-fencing the fundamental issues in Section 4.1 of the current consultation, National Grid has effectively prevented further consideration of these issues until such a late stage in the process that the chances of debate on these points influencing the final outcome is much reduced.

In terms of the detail, we refer to our earlier consultation response. In terms of the summary, the proposed TNUoS charges of the Initial Methodologies paper will result in a five-fold increase in the UoS charges faced by GCHPL, without any corresponding reduction seen elsewhere. Against the historic background of stable UoS charging regulation and increasing transmission system cost efficiency in Scotland, a change of this magnitude poses a very severe risk to the company, pushing the project from being profitable to unprofitable, on the basis of effectively arbitrary changes whose imposition could not reasonably have been foreseen in the project's financing.

We would be happy to expand on our views should that be required.

Yours sincerely

Ilkka Toijala
Asset Manager

cc Colin Sausman, Ofgem