



Tom Ireland
Electricity Charging & Access Development
National Grid Electricity Transmission plc
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

27 March 2008

Dear Tom,

Consultation GB ECM-11 – Charging for generator local assets.

EDF Energy is pleased to have the opportunity to comment on the National Grid's charging consultation on generator local assets.

We believe the problems over design variation discounts merits a review of local asset charges.

Under ECM09 "Design variation discount", National Grid proposed that a User who opts for a single circuit connection (no redundancy) should be rewarded with year-on-year discounts to TNUoS charges. EDF Energy supported ECM09 as we believed it was reasonably cost-reflective and in keeping with the principles of the charging methodology, yet Ofgem did not agree.

We understand that National Grid has had difficulty in setting cost reflective discounts for single circuits, principally as the charges for the generator circuits are not charged as cost reflectively as the single circuit discount proposed under ECM09.

This is evident with the use of average expansion factors. It is our view that the effect of using average expansion factors across a single voltage (i.e. for all 132kV circuits) results in the cost of the local generator connections (which are usually more expensive per MWkm than the circuits of same voltage used to transmit bulk volumes of power) not being reflected in the existing charge. For example, a generator on a long 132kV circuit is paying only the average cost of all 132kV circuits rather than the actual cost of the circuit.

It is sensible that:

- if a cost reflective discount is to be offered to generators' for choosing a single circuit generator connection,
- then the actual charges for the generator connection be equivalently cost reflective.

Otherwise, when generators consider a single circuit connection, inconsistencies in the charge and the discount will lead to inefficient decisions.

Therefore, we agree with the premise for revising charging arrangements for local generator assets.

There follows more detailed points on the proposals in the pre-consultation:

Specific treatment of Generator Assets:

- We prefer the use of “Marginal Investment for Generation” rather than “Generator Only” assets. (As in the instances of a Tee circuit the local charge will reflect any SQSS design variation, which will be the double circuit for the whole Tee. Also, should there be a local demand spur circuit this will consider the importance of the volume of the demand versus the generation in setting the local generator circuits).
- The charging should apply irrespective of the voltage to which the generator is connected.
- Local expansion factors should be based on TO region and OHL tower type.
- The local charge should reflect the “Local Connection Capacity”, rather than TEC or CEC. This will be more cost reflective, as it cannot be argued that any excess capacity in the generator circuit benefits all other users – i.e. in some respects any excess capacity is “stranded” if TEC or CEC is used.

Specific treatment of distance to zonal hub:

- A problem with this calculation may be the use of generation zones to develop local expansion and security factors. Should a generator change zone, (such as in the instance of other generators connecting or closing, or new price control information being used), suddenly the “local” and “zonal” charges will change significantly even through the circuits connecting the generator to the MITS will not have changed. One would assume that if a generator be placed in a more southerly zone, it could have the “local” charge change significantly (depending on the new hub) and the “zonal” charge reduce by £1/kW.
- Overall, EDF Energy does not favour the use of zonal averages for generators’ charges. We believe it makes charges more difficult to estimate: external parties cannot easily mimic national Grid’s zoning approach.
- With regard to local security factors, we believe the calculating the security of the circuits directly connecting the generation node would suffice. This should stop the “local” zonal charge just representing the difference between the charges across the zone that make up the zonal average charge. I.e. the “local” hub charge will not be the same as the difference between that node’s charge and the zonal average charge that we see with the current TNUoS zoning criteria.

Treatment of local substations:

- Rather than considering only local substations, the treatment of substations in the residual charge should be considered a separate issue.

If you have any questions on the above comments, please do not hesitate to contact me.

Yours sincerely,

David Scott
Electricity Regulation Analyst
Energy Branch