

Our Ref  
Your Ref

Richard Lavender  
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Date 17 September 2004

Dear Richard

### **GB Transmission Charging: Final Methodologies Consultation**

EDF Energy are pleased to have the opportunity to respond to this consultation on the GB Transmission Charging final methodology proposals. We do not have any objection to our response being published on the National Grid website.

EDF Energy continue to hold the same views expressed in response to the initial charging methodologies consultation, summarised as follows:

- **We support the proposed GB Connection Charging methodology.**
- **We support National Grid's preference for the Scenario B methodology based on multi-voltage expansion constants.**
- **We believe that the multi-voltage expansion constants methodology achieves the transmission licence objectives of cost reflectivity and facilitating competition in generation and supply.**

In addition we would like to comment further on the following points.

### **Multi-Voltage Expansion Constants**

We continue to support the multi-voltage expansion constants approach as we believe that this is the most cost reflective of the two methodologies. We do not consider that the levels of stability exhibited by this model or the relative locational tariff levels would have any detriment to competition. On the contrary, we believe that the benefits of a competitive market for electricity are best achieved when all participants in that market are exposed to the true costs in that market place in order to incentivise economically efficient commercial decisions.

## Process

We are concerned at National Grid's proposed approach of putting forward both a preferred methodology and an alternative to Ofgem for approval. This would, in our view, only serve to prolong the uncertainty faced by the industry of the approach likely to be taken. This issue has been widely debated and consulted upon with the industry over the past few months and this process has not resulted in any new evidence to suggest that National Grid's preferred approach (Scenario B) would not meet the transmission licence objectives. We therefore believe that it would be appropriate for National Grid to reach a firm conclusion and to put forward a single methodology to Ofgem for approval.

## Future development of Transmission Charging Methodologies

One of the limitations of the proposed charging methodologies is that they do not accurately reflect the separate costs imposed on the system by generation and demand. Therefore the locational differentials for demand can change even though the locational distribution of demand across the network has remained the same. For example, if a generator decides to locate in Scotland, contrary to the locational signals, then it increases the locational differentials for both generation and demand. We believe that this effect on tariffs is inequitable as demand is unable to influence the siting of generation. The effect on tariffs in this example should instead be limited to generation.

We note that the European Union will eventually require member states to move towards 100% demand charging and 0% generation charging in order to harmonise arrangements for recovery of transmission revenue across Europe. Under this model, we believe that there is much greater scope for transmission charging methodologies to be put in place which separately recognise the locational costs imposed on the transmission by generation and demand respectively. We would therefore welcome further consideration of this issue in the ongoing review of charging methodologies.

We hope that you will find these comments useful. If you have any queries please do not hesitate to contact me on 0207 752 2526.

Yours sincerely

Rupert Judson  
Transmission Infrastructure  
& Development Manager  
EDF Energy