

Mr Tom Ireland
National Grid Electricity Transmission Ltd
National Grid House
Warwick Technology Park
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27th August 2008

Dear Tom

GB ECM-11 Consultation Document

Preamble

West Coast Energy Ltd welcomes the opportunity to comment on the ECM-11 pre-consultation on charging arrangements for generator local assets. West Coast Energy have acted as consultants to a number of major windfarm projects throughout Great Britain and have obtained consent for over 500MW of projects with a further 1000MW either going through planning or with a planning application being prepared. We have also been active participants in various electricity industry fora including the Transmission Arrangements for Distributed Generation (TADG), Transmission Access Standing Group (TASG) and in the Active Networks project team of the Distribution Working Group (DWG).

We recognise that this consultation has two major drivers for the modifications proposed, namely Security and Quality of Supply (SQSS) connection design variations and the Transmission Access Review; our response majors on the SQSS connection design variations. The latter follows on from a previous consultation in 2006 which in that case, although it proposed design variations rebates for not fully secure connections, was vetoed by OFGEM on the grounds that while it agreed with the idea that that consultation put forward of giving generators a reduction in Transmission Network Use of System (TNUOS) to generators with a single circuit connection rather than the more conventional double circuit secure connection it thought the reduction offered was too low in that ' the Authority was concerned that the original proposals did not sufficiently reflect the capital costs saved and would consequently not provide the correct signals to the generators' . This in turn was followed by another consultation GB-ECM 09 for charging arrangements associated with SQSS design variations based on customer requests to which West Coast Energy Ltd responded (copy attached). In a letter to OFGEM in December 2007 National Grid declared it was not minded to submit any of the proposals outlined in its consultation and instead to initiate work on a final enduring solution. This was accepted by OFGEM but in the same letter OFGEM expressed concern about the

limited progress being made on this issue since it was first raised by them in December 2005. Consultation ECM11 was raised by National Grid on 1st August 2008 and a response is required by 29th August.

West Coast Energy Comments

- 1) We agree with the views of OFGEM expressed in December 2007 about the limited progress being made on this issue since first being raised in December 2005. Projects are now being built based on single circuit unsecure connections giving rise to significant reductions in capital expenditure for National Grid but without any concomitant reduction in use of system charges compared with a secure connection. Not only that but we have been refused the opportunity to revert to a secure connection resulting a lose-lose situation.
- 2) We object strongly to the very short timescale being given by National Grid for this consultation. The Consultation is a substantial document, of over 50 pages and 28 days does not give sufficient time for a detailed analysis nor given that it is summer there can be little opportunity for discussions with colleagues to ascertain their thoughts. The Transmission Licence gives 28 days as the minimum consultation period and the light of the significant changes proposed here we believe it is insufficient and a longer consultation period is required.
- 3) In the light of the substantial changes to the TNUOS charging methodology being proposed we believe that an Impact Assessment is vital and if not carried out by National Grid, then most definitely it should be carried out by OFGEM. For the original 2006 consultation OFGEM carried out a Regulatory Impact Assessment and given the changes envisaged in this consultation not only with its implications for unsecure connections but also the Transmission Access Review, we believe that an Impact Assessment is essential.
- 4) We note with great concern that under the proposals outlined in the Consultation TNUOS charges in the North of Scotland will rise and even after the application of an unsecure connection discount the TNUOS charges proposed will still be greater than those being currently envisaged which is counter intuitive if not downright perverse.
- 5) We are disturbed by the introduction of two classes of substations on the GB transmission system; MITS and local generator substations with a definition of the former meaning that there may well be discriminatory treatment between power stations connected to the MITS and those connected to local generator substations. This infers that the stronger your connection the lower your charges; which seems perverse.

- 6) OFGEM has in the past concluded that appropriate high level principles for charging were:-
- Cost Reflectivity
 - Predictability
 - Simplicity
 - Transparency
 - Facilitation of Competition

Since the outcome of the present consultation results in individual, two part TNUOS charges for each generator, the results are neither simple, overly transparent nor predictable. This even more true of the Distance to zonal hub model where as Appendix 8 illustrates the so called iso-economic contour meanders through the zone (and even outside it) and for any new projects presumably the contour will alter and in any case it would be difficult to predict in advance what the TNUOS charges would be.

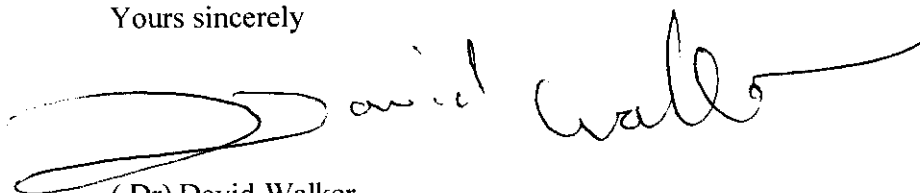
7) The consultation also threatens under its option B (Distance to Zonal Hub), to introduce 'local charges TNUOS ' to embedded generators with a BEGA, not directly connected to the transmission system but with a capacity of less than 100MW who currently do not pay TNUOS charges. This is a major addition, particularly for those in Scotland, to the operating costs of projects which cannot have been anticipated when the project was being developed. On this basis we are firmly against option B.

In summary we are disappointed with the present consultation it fails to address the issue of the rebates which should accrue to projects with non-secure connections and instead acts in a perverse way to increase costs particularly for projects in the North of Scotland.

I hope you find my comments useful but if you wish to discuss them further please do not hesitate to contact me.

Kind regards

Yours sincerely

A handwritten signature in black ink, appearing to read "David Walker". The signature is fluid and cursive, with a large loop at the beginning.

(Dr) David Walker
Head of Grid & Regulatory Affairs
West Coast Energy Ltd