

10<sup>th</sup> October 2003

Alex Thomason  
Commercial Frameworks  
National Grid Transco  
NGT House  
Warwick Technology Park  
Gallows Hill  
WARWICK  
CV34 6DA

Dear Alex,

**Response to National Grid's Consultation Documents: Modification Proposal to the Connection Charging and Use of System Methodologies UoSCM-M10; UoSCM-M-11 and CMM-M-07**

Thank you for the opportunity to comment on the above.

With respect to the current National Grid Transmission Charging Review process, BE has continuously expressed concerns at appropriate industry fora (TCMF and Charging Review Seminars). These concerns are re-iterated in this response to NGT's current consultation on the derivation of use of system tariffs and connection charges.

Currently DTI, Ofgem, National Grid, Elexon and the wider industry are engaging in BETTA consultations. It is notable that the effects of NGT's far reaching changes have not been considered in the context of BETTA. Therefore it is essential that a subsequent review of the charging methodology would be undertaken prior to any implementation for GB. This would be consistent with National Grid's specific licence obligations, Ofgem's wider statutory powers, and is in the interests of economic efficiency and the protection of consumers.

**Key Generic Points:**

- **These transmission charging developments do not take account of the creation of the single GB market being developed under the BETTA reforms. Should these reforms to the England and Wales arrangements be introduced it will be important to re-assess the position in a GB context ahead of BETTA go-live.**
- **The overarching objectives of any charging arrangement should be economic efficiency and stability. Cost-reflectivity is problematic as an objective in the context of a mature network where the vast majority of costs are sunk and cannot be specifically identified.**
- **The development of the charging methodologies should avoid creating windfall winners and losers. Transitional relief arrangements should be introduced if there are significant changes to the costs to be recovered.**

British Energy plc Barnett Way Barnwood Gloucester GL4 3RS

Telephone 01452 652222 Facsimile 01452 653246

- **The arrangements for cost recovery in England and Wales must be consistent with the broad direction of transmission charging policy across the EU.**
- **BE maintains that any changes to transmission charging should be fully justified on economic efficiency grounds via a full regulatory impact assessment, as we have previously commented to Ofgem.**
- **The current review has highlighted the need for a more inclusive governance regime for the Charging Methodologies.**
- **The timescales for completion of the review to allow the potential implementation of proposals from 1<sup>st</sup> April 2004 is ambitious. The current programme will only provide a decision for approval during November.**
- **The extent and complex nature of the review to date has inevitably meant that key information has been either unavailable, limited or provided progressively during the process making it extremely difficult to understand and therefore comment in an informed manner. This raises concerns about the consultation process itself.**

If you have any queries associated with this response, please do not hesitate to contact me to discuss further. A copy of this response has been supplied to both DTI and Ofgem.

Yours sincerely,

Gayle Cairns

Trading Consultant  
Market Development  
British Energy Power & Energy Trading  
(01452-653860)

[gayle.cairns@british-energy.com](mailto:gayle.cairns@british-energy.com)

Attachments:

Connection Charging Methodology: Implementation of 'Plugs' CCM-M-07 Response.  
Use of System Charging Methodology: Calculation of Locational TNUoS Charges  
UoSCM-M-10 Response  
Use of System Charging Methodology: Introduction of Year Round TNUoS Charges  
UoSCM-M-11 Response