

Alex Thomason  
Commercial Analyst  
National Grid Company plc  
NGT House - Warwick Technology Park  
Gallows Hill  
Warwick, CV34 6DA

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Dear Alex,

## **Charging Methodologies Consultation**

In response to the NGC consultation documents on the Charging Methodology Modification Proposals CCM-M-07, UoSCM-M-10 and UoSCM-M-11 issued on the 12th September, please find below the comments made on behalf on EdF Trading Ltd and EdF (Generation).

### **Overall Position on the Proposals**

We continue to support in principle the moves towards the use of the DCLF model and the transfer of the Connection Assets to the Infrastructure Assets (“with plugs”), but we still remain to be convinced of, or at least understand, the arguments for the adoption of the proposals for the revised Expansion Constant, Security Factor and the All-Year Energy Charge. These elements have only evolved since July this year, but their effects are far-reaching. One of the most important effects is that seemingly the implementation of the new charging methodology results in increased TNUoS charges for Generation in the South and reduced charges for Generation in the North (compared to current TNUoS + connection charges) which is against the general trend of what Ofgem has been saying for the last 3 years about effective economic signals for the siting of generation and the Use of System.

We note the comments and the explanations given in the consultation document but they are assertions rather than proven. Consequently we would strongly advocate leaving the charging methodology as it is until such time as these other elements have been adequately communicated and clearly shown to be more appropriate for use in England and Wales.

Moreover, this course of action is seen as being prudent since BETTA is only 18 months away and, as was acknowledged at the last TCMF, BETTA is now a subject for discussion at the TCMF. These proposals will have a profound effect on the transmission charges for the Scottish parties and, indeed, there will be consequent and significant changes to the E&W charges as a result of their inclusion. Therefore, everybody should be making judgements on the complete picture. To do otherwise, would result possibly in significant changes to the charges within one year of their introduction and hence parties’ commercial decisions.

**Interconnector Issues**

Without wishing to repeat the arguments put forward in the earlier consultation responses, we are disappointed that many of the issues that are of concern to the Interconnector Owners/Users have not been accepted, or appear not to have been addressed or adequately covered. We firmly believe that the Interconnectors should be viewed differently from the simple model of being both generation and demand and hence chargeable twice. In our view, this charging review was an ideal opportunity to have made such a change and identified a specific interconnector charge, or to have sought to have the interconnector assets recognised as infrastructure assets, or at the very least to have explained the rationale of their present treatment. For instance, why are they included in the charge model as a generator but then charged both G and D charges and why are they charged two amounts of Security and Residual charges? It is worth noting that in France, where the transmission charges are made on Demand only, Interconnectors are regarded as neither Generation or Demand and hence Interconnector Users do not pay any transmission charges to RTE either as Connection or Use of System Charges.

Furthermore, the proposals as put forward all increase the transmission charges faced by the IO/IUs for the Anglo-French Interconnector (I have attached a spreadsheet to show the impact on IFA). Therefore, they will not only reduce the likelihood of trading between systems and hence provide support to the E&W market, but they will reduce the value of the interconnector assets.

**European Issues - IEM**

The Energy Charge amounts to another transaction based charge on cross-border trades. This is on top of the BSUoS and BSC charges already in operation and increases the conflict with the new EC Regulation on “Conditions for Access to the Network for Cross-Border Exchanges in Electricity” and specifically Article 4 (Charges for Access to networks) item 5: “.....5. There shall be no specific network charge on individual transactions for declared transits of electricity”. For that reason we are opposed to the implementation of an Energy Charge.

**Conclusion**

Whilst we have been supportive of the charging review and of some of the findings, the recent proposals are such that we cannot yet support their full introduction. We note the assertions that certain changes are more cost reflective and appropriate, but we remain unconvinced when we see the charges for the Anglo-French Interconnector increase by up to 60% or more. As such we oppose the new charging methodology as proposed by NGT and we advocate leaving the charging methodology as it is, at least and until when BETTA is introduced.

Yours sincerely

Dr Nick F Frydas  
Transmission Issues Manager – EDF Trading Ltd.