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Dear Tom,

GB-ECM 09: Charging arrangements associated with SQSS design variations based on customer requests

Thank you for the opportunity to respond to the above consultation. E.ON UK supports the changes proposed in GB-ECM09 as it provides a proportionate level of discount for design variations based on customer requests.

When this issue was first addressed as part of GB-ECM 06 we were concerned that the level of discount being proposed was too high as it was inconsistent with the shallow charging methodology used to calculate TNUoS charges. Specifically, we felt that the level of circuit discount was overstated as it was calculated against a Locational Security Factor of 2 rather than 1.8 as is presently used. Additionally, we believed that the substation discount was inconsistent with the charging methodology as it resulted in a deep discount against a shallow charge.

The proposals contained in GB-ECM09 address these issues and makes other changes which are consistent with the manner in which TNUoS charges are calculated for compliant connections. Our comments on each of the main aspects are as follows.

The design variation circuit discount

We agree with the calculation of the circuit discount proposed by GB-ECM 09. This proposal solves the issue with GB-ECM 06 discussed above whereby the discount had

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been calculated against too high a level of Locational Security Factor. Using the actual value of 1.8 ensures that the discount is consistent with the charging methodology. We also support the use of a nodal specific discount based on a generic formula as this would be of choosing a design variation connection.

The proposals for calculating applicable circuit lengths also appear to be sensible, as do those for the treatment of connections with partial redundancy.

Design variation substation discount

We agree that a substation discount should not be provided. Substation costs are highly socialised as they are recovered through the residual tariff. This means that 73 percent of the costs are picked up by suppliers through demand TNUoS charges while the remaining 27 percent is spread across all generators. As we mention above, we were concerned with the substation discount proposed in the previous modification as it applied a deep discount against a socialised charge.

It is important to recognise that a proportion of the benefits of lower substation costs are already recycled back to the relevant generator under the present methodology. Due to the socialisation of these costs the share that the generator sees is very small. However, this is an effect of socialisation with which there are benefits and disadvantages. It would be inequitable to allow generators to benefit from a high degree of socialisation of their substation costs and also be paid the full amount of any costs that have been theoretically saved by them choosing a particular design variation.

For instance, in our response to GB-ECM 06 we gave the example of a generator with 1% of total GB capacity, which would equate to a significant station capacity of more than 700MW, that would see only £2.7k of every £1m spent on its substations. If the full theoretical cost saving associated with a design variation connection were to be passed back to such a generator it would totally dwarf this cost, plus the residual tariff as a whole, and distort the charging methodology.

We also agree with National Grid's reasoning that a substation discount would undermine the locational signal in the TNUoS charge. However, the reason for this effect is precisely because a substation discount would swamp the residual tariff and would then flow over to erode the locational charge too.

Other issues

We agree that a specific up rating factor should not be introduced. In particular, we support National Grid's concern's with this regarding the stability of charges. The charging methodology contains a number of instances whereby cost data is treated in a generic rather than a specific manner. This provides stability and transparency which for instance enables Users to recreate the results from the charging model for themselves. If circuit specific expansion factors were to be introduced for the issue of up rating, we would argue that specific costs should be entered into the model for all circuits to reflect the actual costs of those assets. This would theoretically increase the cost reflectivity of the model, but we believe stability and transparency would be eroded significantly. We

believe that this would have a detrimental effect for existing generators and those seeking new connections.

We also support the view that these arrangements are likely to be suitable for offshore generators. Of course, this assumes that the offshore charging methodology is similar to that presently used onshore.

Finally, we note that this proposal does not explicitly state how design variation connections would be treated should the relevant connection subsequently become compliant, for instance following the connection of another generator. GB-ECM 06 stated that the discount would be removed in these circumstances. We assume that this would also be the case under these proposals.

I hope that the above comments prove helpful.

Yours sincerely

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