



16 September 2004

Richard Lavender,
Senior Commercial Analyst,
National Grid Company plc,
NGT House (Floor C3), Warwick Technology Park,
Gallows Hill, Warwick, CV34 6DA.

Dear Sir

TRANSMISSION PRICING CONSULTATION

The Weir Group PLC is one of Scotland's largest companies. The Group's Services Division provides a range of engineering-related services to energy companies in the UK. For some time, we have identified the investment in renewable energy taking place in response to the Renewables Obligation as an excellent opportunity for us to market our engineering capabilities. We have also invested in Renewable Technology Ventures Limited (RTVL), the aim of which is to develop renewable energy technologies.

It is disappointing that the exciting opportunities in renewable energy in the UK should be jeopardised by a proposed transmission pricing methodology (Option 'B') which is highly volatile and which would lead to extreme transmission charges for electricity generation based in Scotland. If this option is pursued, then excessive transmission charges would clearly have a highly negative impact on the growth of renewable generation in Scotland and undermine security of supply as existing generators would, inevitably, be forced to reconsider the economics of their operations.

We are disappointed to learn that this option is being pursued when there is another option - 'A' - which is considered to be more stable from the point of view of electricity generators, while safeguarding the interests of consumers, and which is capable of passing any 'fair and reasonable' test. Stability of tariffs will not only facilitate project finance for new generators, but in turn provide competition in generation. This is a fundamental objective of the tariff methodology, and indeed the licence.

Given the need to ensure that confidence in renewable energy generation is not undermined, and to ensure that existing electricity generation in Scotland is not undermined, then it is in the interests of all concerned that Option 'A' be adopted.

We look forward to learning of a positive outcome to this consultation.

Yours sincerely

A handwritten signature in black ink, appearing to read "M. Twist".

Malcolm Twist
Managing Director, Power, Renewables and Nuclear
Weir Services Division