

## **Consultation Document: Modification Proposal to the Use of System Charging Methodology Introduction of Year Round TNUoS Charges (UoSCM-M-11)**

### **Key Points**

- **British Energy is not supportive of the introduction of the Year Round TNUoS charge.**
- **Suppliers' pricing and billing systems will have to change to match the revised Transmission Charging Methodologies. As well as representing an additional cost, these changes will take time. There is a high risk to the accuracy of billing from the start of April 2004 as there will be insufficient design and development time to implement these changes**
- **It is essential that there is no delay in determining tariffs applicable for April 2004 to allow time for any changes in charges to be built in to pricing by generators and suppliers.**

### **Specific comments on National Grid's Detailed Proposals**

With regard to the Consultation document itself BE has a number of specific comments to make which are detailed below.

#### **Introduction of Year Round TNUoS Charges**

As stated above British Energy is not supportive of the introduction of the Year Round TNUoS charge.

- **Fundamental changes to the existing balance of connection charges and zonal use of system charges should proceed only where it can be shown that the proposed new structure is demonstrably more efficient than the structure it replaces and does not create windfall winners and losers for existing system users.**
- **Given the difficulty in defining 'cost reflectivity' for a mature network, National Grid should develop charges that are equitable on the basis of economic efficiency and demonstrable cost-benefits. The introduction of charging based on total volume needs to be assessed in the light of the costs incurred by the network and the way in which these costs are driven.**
- **The Regulatory framework applicable to NGT will require fundamental review and potential reform to ensure that the risk of overall revenue recovery falls directly on NGT and not industry participants should NGT introduce differing tariff products (e.g. the "Year Round" tariff).**

- The NGT proposal to change the basis of charging from Capacity to a hybrid capacity and energy product remains unproven. In particular there needs to be a detailed study of this system to ensure that it does not discriminate between classes of user.
- There is still little supporting analysis that demonstrates the costs and benefits. The overall economic efficiency of this hybrid model has yet to be shown.
- Given the multitude of options generated in this charging review, there were potentially many other ('hybrid') options. There has been no explanation of the criteria for the models. This lack of transparency to industry participants has resulted in a lack of appreciation of the inevitable trade-offs occurring within the review.
- The potential impact on the 'value' of ancillary services in providing network support from generators does not appear to have been clearly addressed here. Whilst generators may be compensated for services on market-based contracts, this is a second-order revenue stream. The consequences of implementing this hybrid approach on the provision of these services have not been adequately addressed.
- The 90%/10% split has not been adequately modeled and NGT have stated publicly that they are unable to do so and hence it is a 'best view'. This is in no way transparent to users and means that they are unable to identify if it meets with NGT licence conditions.
- There is the added difficulty of a variety of responses on the part of NGT to voltage support, constraints etc. There can either be actions in building of infrastructure where the costs would end up in TNUoS or there will be demand and generation shifts that would be reconciled through BSUoS. This is perhaps the more appropriate method to recover these costs.