

# GRANGEMOUTH CHP LIMITED

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Richard Lavender  
Commercial  
National Grid Company plc  
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GCHPL-B100-019

Dear Mr Lavender

## **August 2004 Consultation Paper: GB Transmission Charging: Final Methodologies**

Fortum Group, owner of Grangemouth CHP Ltd, welcomes the opportunity to respond to this consultation.

### General comment regarding approach to the consultation

We have previously expressed our concern that the consultation process has unfolded in a way which has meant that a number of significant issues have not been fully addressed. In particular, National Grid's decision to base the GB methodology consultation so closely on the existing England and Wales methodology in the earlier stages of the process has had the effect of artificially constraining the scope of the debate that has been possible in response to the published consultation papers. Respondents to the Initial Thoughts and Initial Methodologies consultations did at that time urge consideration of a broader range of options, but the course of the consultation has not accommodated that.

It is apparent to us that there are credible grounds for a challenge to the approaches set out in the Final Methodologies paper, on grounds both of process and of proportionality. We regard the uncertainty which would be created by such a challenge to be detrimental in any event, and especially so in the lead-up to BETTA. Therefore we would urge National Grid to consider the inclusion of a broader range of options in its final report to Ofgem which might address these two potential causes of challenge, drawing on those aspects of possible methodologies which have been the subject of relatively full debate during the course of the current consultation process, to leave a way open to avoid potentially damaging uncertainty at a very late stage in the process.

## Specific comments on the Final Methodologies

Whilst our principal concern is with the starting point for the consultation process, we would wish to set out two specific points raised in the Final Methodologies paper.

- We note the comment made with reference to the proportionate nature of the charges: “National Grid struggle to see how a methodology, which is approved for England and Wales and would be acceptable to derive the constant range value, is in itself not acceptable to be applied on a GB basis.” We are firmly of the view that assessing whether the result is proportionate can only be done in the context of both the methodology its self (which may well produce proportionate results in the context of the England and Wales system) and also of the setting to which it is applied. As has been observed elsewhere in the consultation process, the large charging differentials, very high proportion of generation charges recovered from northern generation and southern demand, and so on would tend to raise questions of proportionality in a GB context whilst the current England and Wales charges might not.
- We note that as the proposals currently stand, the full capacity of generation whose output cannot be controlled and which therefore cannot respond to market signals is included in the tariff calculation. We would prefer to see a treatment which scaled back the capacity of combined heat and power, wind and hydro capacity to reflect the fact that it cannot respond to market signals.

We would be happy to expand on our views should that be required.

Yours sincerely

Ilkka Toijala  
Asset Manager

cc Colin Sausman, Ofgem