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Dear Tom

GBECM-08 Charging arrangements associated with offshore transmission networks – Further Consultation document

Thank you for the opportunity to respond to this consultation document. This response is made on behalf of E.ON UK plc. The issues consulted on are significant to the successful deployment of new offshore windfarms and achieving the UK Governments renewable energy targets. Our comments are developed from our response to the original GBECM-08 consultation document.

Connection and Use of System Boundary

We continue to support National Grid's proposals on the connection and use of system boundary as they are consistent with that for onshore connections. We believe that wherever appropriate the offshore arrangements should be the same for onshore.

Offshore Expansion Factors, Security Factors and Substation Tariffs

We support the use of OFTO specific circuit expansion factors in order to reflect the OFTO annual revenue requirements established in the offshore tender process. We note that the process to do this is to be established in the STC and will consider these proposals as they are consulted on. Equally with respect to the OFTO provided but generator funded reactive compensation plant, we look forward to seeing National Grid's proposals in this area. We support the proposed adjustment for within year charging in the first year of a new offshore windfarm connection.

We support the proposals for treatment of offshore security factors to reflect the individual connection security afforded by individual OFTO designs and installed networks.

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As per our original response to GBECM-08 and the clear similarity to the proposals put forward in GBECM-11 – Charging Arrangements for Generator Local Assets – we do not support the introduction of a generator substation charge. We agreed with National Grid's original proposal to continue to recover the cost of substations through the established residual component of the use of system charge.

We object to the introduction of a generator substation charge, both on and offshore, on three grounds:

i) From a policy perspective the introduction of this component to the locational element will increase the cost burden on offshore generation projects. Introducing this component to the locational element of the charge will damage the development of offshore wind in the UK and will not encourage the investment required. The costs and returns predicted already make offshore wind challenging, this will make that challenge significantly harder. We are also disappointed at the timing of this proposal, being so close to the implementation of the offshore regime, although we understand that this has arisen as a result of a late request from Ofgem for National Grid to revisit this element of the proposals. Should this proposal go forward it would bring in to question our continued support for the proposed offshore regime, as our support was set against the established basis of cost recovery under the shallow charging methodology.

ii) It is not clear from the proposals if offshore generators will also be liable for the cost of the substation at its onshore point of connection if GBECM-11 is implemented or whether the proposed discount to equating to the incremental civil engineering cost onshore would continue to apply. If this is not the case if GBECM-11 is implemented offshore generation will be further disadvantaged, arguably discriminated against, in comparison with onshore generation that would only have the cost of one substation, whereas offshore would also bear the cost of each offshore platform, in addition to its onshore substation.

iii) The reasons we outlined in our response to the GBECM-11 consultation response, dated 29th August 2008, with respect to the consequences of the shallow charging methodology, its application against an agreed security standard and the treatment of demand substations.

HVDC

We continue to support National Grid's proposals for the treatment of HVDC links, subject to our previous comments on the introduction of a generator substation charge.

Embedded Transmission

We are grateful that National Grid has considered and consulted on our concerns with respect to Licence Exempt Embedded Transmission connected generators. In principle we support the concept of the ETUoS charge to recover the DNO costs for enduring projects.

However, we continue to be concerned about the impact of the proposed transmission charging regime on those early mover licence exempt projects that will be connected to a DNO network via a 132kV offshore cable. We therefore support the proposed alternative for the treatment of licence exempt embedded transmission connected generators. We do however note Ofgem's comments in its latest offshore transmission consultation, published on Thursday 20th November, which predisposes the outcome to this particular aspect of the charging arrangements.

We continue to believe that the extent to which transitional licence exempt embedded transmission connections, which have been designed and constructed as distribution connected projects, can comply with the technical and market requirements has not been fully understood. This is to the extent that a large number of derogations may be required, such that the embedded transmission project continues to look and behave like a LEEMPS generator, but the generator is disadvantaged because it is subject to TNUoS charges in addition to the ETUoS element.

We hope you find our response helpful. Please do not hesitate to contact me if you would like to discuss any aspect of our response further.

Yours sincerely

Guy Phillips
Senior Project Developer