

Alex Thomason
Commercial Analyst
National Grid Transco
NGT House
Warwick Technology Park
Gallows Hill
Warwick CV4 6DA

South Coast Power Limited
Shoreham Power Station
Basin Road South
Portslade
East Sussex
BN41 1WF
Tel: 01273 427500
Fax: 01273 427544

SCP/NGC/017/8.4.4/NS

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Dear Alex

Transmission Charging Methodologies Consultation

Thank you for your letter of 12 September 2003 inviting comments on the above Consultation.

South Coast Power Limited does not support the proposed modifications as currently formulated.

UoSCM-M-10: Proposal to amend the methodology for calculation of locational TNUoS tariffs

SCPL have recently commissioned a 400MW CCGT power station at Shoreham based upon the pricing and investment signals provided by NGC in its published Use of System Charges and Seven Year Statements. Users have relied on such signals as an important part of their investment methodologies. At the time generators made the decision to invest it was reasonable for them to rely on the Seven Year Statement and associated information published by NGC as part of its activities as a licensed transmission operator.

However, the current proposals dramatically impact the locational tariffs for Shoreham and some other generators – indeed in some scenarios switching the charges from a credit position (negative zone) to a positive charge.

These proposals therefore potentially compromise generator's investment decisions, and create an area of future risk which could seriously impact present and future investment patterns.

Therefore SCPL believe the proposals to be in contravention of NGC's licence condition C7A, in that it fails to facilitate effective competition in the generation of electricity, particularly between existing and new participants.

UoSCM-M-11: Introduction of Year Round TNUoS charges

SCPL understand the rationale for within year tariffs, but do not agree that it should be a positive charge even in negative charging zones. In some scenarios this has the perverse effect of a generator receiving a credit for siting generation in an area where additional generation is required, yet paying a within year charge which more than offsets the credit.

Owing to this perverse effect, SCPL believe the proposals to be in contravention of NGC's licence condition C7A, in that it fails to facilitate effective competition in the generation of electricity.

CCM-M-07: Implementation of "Plugs"

The proposed 'plug' methodology for definition of boundaries is a simplistic and transparent approach. However, SCPL do not believe it reflects the true cost of system development.

Hence, existing users will subsidise participants who are a significant distance from existing transmission assets and this will lead to increased Use of System charges.

Further, due to the fact that Shoreham is embedded, there will be no off-setting benefit of NGC connection charges.

Therefore, SCPL believe the proposals to be in contravention of NGC's licence condition C7A, in that it fails to facilitate effective competition in the generation of electricity between existing and new participants, and between embedded and directly connected generators.

Yours sincerely

Nick Skinner

Nick Skinner
Energy Business Manager