

Our Ref  
Your Ref

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Date 30<sup>th</sup> January 2004

Dear Stuart,

### **GB Transmission Charging: Initial Thoughts**

EDF Energy welcomes the opportunity to outline its views on this initial thoughts document on GB transmission charging. We consider the transmission charging and contractual framework to be at the core of transmission and trading arrangements in the electricity market and are fully committed to being involved in the development of British Electricity Trading and Transmission Arrangements.

We have provided comments below on what we consider to be the key issues and our views are summarised as follows.

#### ***EDF Energy:***

- ***Supports the proposed charging framework based on the current arrangements for England & Wales and under the responsibility of the single GB System Operator.***
- ***Agrees that should a GB SYS not be available for DCLF model data then the information should be compiled and published from the three existing TO statements but also including any changes notified by Users to their contracted TEC going forward.***
- ***Believes that a review of the current zoning criteria will be required in light of the wide range of nodal tariffs, particularly in Scotland.***
- ***Believes that appropriate and consistent locational charging is fundamental to the efficient, economic and competitive operation of the transmission network.***
- ***Believes in stable, consistent, predictable and transparent methodologies that deliver cost reflective and non-discriminatory charges.***

## **Detailed Comments:**

### **Framework for Transmission Charging**

EDF Energy supports the development of the British Electricity Trading and Transmission Arrangements which we believe will bring significant improvements in competition to the generation and supply markets in Scotland and will help to create a level playing field across Great Britain with long term benefits for market participants and consumers.

We believe that long-term stability is a fundamental requirement for any competitive and economically efficient market. We support the objectives of a single set of trading and transmission arrangements for the whole of Great Britain and we believe that locational charges and signals have an important role in such a market to accurately reflect the costs of the transmission system.

EDF Energy supported the view of Ofgem and the DTI, as set out in Part 1 of their consultation on changes to transmission licences to implement GB transmission charging under BETTA, of using the Transmission Licence as the framework to ensure transparency and flexibility of charging methodologies for GB. Using the existing obligations should help in the simple transition to a GB wide market whilst also allowing some flexibility for any possible future introduction of competition into some areas of transmission. These Licence obligations ensure that system charges are non-discriminatory, cost reflective, stable and transparent.

### **GB Charging Methodologies**

EDF Energy agrees that the GBSO should be the only transmission licensee obliged to develop charging methodologies. Using a model that is based on the current arrangements will prove to be the simplest and least disruptive option available and should avoid any over complication or potentially complex interactions that could arise by having more than one licensee able to develop charging methodologies.

When this consultation was released there were, and still are, many on going consultations in key areas of BETTA. It is therefore difficult to make any robust assumptions as the outcome of these could significantly impact future consultations on the GB Charging Methodologies. Some of the areas have been highlighted in this consultation, with regard to Connection and Use of System Charging, where there are still unresolved issues that are being consulted on. The outcomes of these consultations will need to be included in any Initial Charging Methodologies Consultation, so that all market participants can make informed comments on any proposals that are put forward.

EDF Energy believes that it is in the interests of all market participants that the charging methodologies that are implemented under BETTA allow for the system to be managed and run in an efficient and competitive manner. We believe that the use of the England and Wales framework as the starting point ensures that only the minimum amount of change should be required to apply the charging arrangements on a GB wide basis.

Since this consultation was released Ofgem have decided not to veto Connection Charging proposal CCM-M-7 and Use of System Charging proposal UoSCM-M-10. EDF Energy was in support of both of these proposals and this initial thoughts document made the assumption, as did the Ofgem/DTI consultation, that the GB methodology incorporated these proposed changes.

The DCLF model that will be used in the calculation of TNUoS tariffs uses data published in the October update to the Seven Year Statement (SYS). We are concerned that the GB SYS will not be in place in time for the calculation of GB TNUoS tariffs and that agreement of TECs for the Scottish Generators will not have been completed. The TEC inputs to the Transport model can have a significant effect on the resultant tariffs and therefore it is important that information is used that accurately reflects the TEC for the year in question and that is transparent to all Users. Should a GB SYS not be available then EDF Energy agrees that a reasonable way forward would be to compile the information from the three existing TO statements for the calculation of the first GB TNUoS tariffs provided that this information is published and that all Users have the same opportunity to agree their contracted position for the following year prior to the information being used.

The changes in generation zones can have a significant effect on individual generators, it is therefore important that a thorough review of the zoning criteria for GB is carried out. From the indicative tariffs it appears that the current +/- £1/MW criteria could not sensibly be applied across GB due to the large range between maximum and minimum nodal tariffs. We believe that a new GB zoning criteria will need to be established that will provide an appropriate balance between long term stability and cost reflectivity. EDF Energy agree that once the GB zoning criteria is established it should be applied across the whole GB to avoid any discrimination.

EDF Energy believes that appropriate and consistent locational charging is fundamental to the efficient, economic and competitive operation of the transmission network. We support cost-reflective GB charging methodologies incorporating charging elements that vary with location and we believe that locational charges and signals have an important role in such a market. However it is essential that the overall level of locational signals is appropriate and that any locational charging arrangements are applied consistently to all transmission system users on a non-discriminatory basis across Great Britain.

EDF Energy believe in stable, consistent, predictable and transparent methodologies and in order to maintain this across GB it will be necessary to derive the Gross Asset Value (GAV) for Scottish connection assets on the same basis as those in E&W.

We hope that you will find these comments useful. If you have any queries please do not hesitate to contact either Russell Hill on 020 7752 2524 or myself.

Yours sincerely,

Tony Diccio  
Head of Regulation and Market Infrastructure  
EDF Energy