Tom Ireland
Electricity Charging & Access Development
National Grid Electricity Transmission plc
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

24th November 2008

Dear Tom,

British Energy response to the Modification proposal to the Transmission Network Use of System Charging Methodology to introduce charging arrangements associated with Offshore Transmission Networks (GB ECM-08)

British Energy (BE) welcomes the opportunity to comment on the above consultation document. BE is the UK's largest generator of electricity. We own and operate eight nuclear power stations as well as Eggborough Power Station (a large coal plant with two units fitted with FGD) and four small embedded gas generator sites.

Offshore Connection / Use of System Boundary
Whilst we recognise the arguments put forward in the proposal document British Energy still believes that option 3, the onshore connection point, is an appropriate offshore connection/ use of system boundary. We believe that as regards connection and transmission charging for the Offshore transmission system it is difficult to treat offshore in the same way as onshore due to the additional complexities and costs in connecting to the system. Furthermore we note that the regulatory regime for offshore is different from that for onshore and that it is the choice of the user to locate assets offshore. The costs and complexities of this choice therefore are best met by the user under option 3.

Offshore Circuit Expansion Factor
Our preferred connection/ use of system boundary of the onshore connection point does not require expansion factors. However we note National Grid's proposal of specific circuit expansion factors will not require averaging of costs when there is little historic information available and will therefore provide a more cost reflective charge. However, British Energy do not support the costs of offshore platforms being charged through the residual element.

Substation Tariffs
Notwithstanding our comments above, BE agrees with National Grid's views on the introduction of substation tariffs, as offshore substation assets will only be used by offshore generators we also believe that it is appropriate that costs should be targeted at the relevant generators, rather than be socialised over all users.

Reactive Compensation
It seems appropriate to include the costs of reactive compensation equipment in the locational element to be funded by the offshore generator. This is synonymous with an onshore generator being asked to meet the mandatory reactive capability requirements at the point of connection to onshore transmission. However the consultation makes no reference to how the day-to-day reactive requirements are to be procured. To reflect the situation for onshore transmission NG would make payments for reactive utilisation to the offshore

British Energy Group plc
Barnett Way
Barnwood
Gloucester GL4 3RS

T +44 (0)1452 652222
F +44 (0)1452 653775
www.british-energy.com

Registered Office:
GSO Business Park,
East Kilbride G74 5PG
Registered in Scotland No. 270184

generator and this should be the case offshore as well. In order not to undermine the existing reactive market NG should be required to procure reactive via the offshore TO for the offshore generator/s rather than it becoming a 'free' service.

High Voltage Direct current (HVDC)
While we support the development of HVDC transmission as it may brings increased efficiency the choice is once again that of the user. Therefore we believe that the costs should be borne by that user and agree with NGT that converter costs should not be recovered through the residual charge as these are fundamentally locational .

Embedded Transmission
BE do not agree with any options which support the socialisation of charges across all users. We agree that charges levied by the DNO, should directly flow through to the connected Offshore generators preventing the socialisation of additional risk across all users, and we can offer some support to the proposal for a new type of use of system charge.

In relation to the strawman proposed for embedded benefits. We believe that treatment of exemptible power stations offshore is a wider regulatory issue and that it may not be appropriate to make alternative arrangements in the Use of System Charging Methodology. We would also be interested to know as to the magnitude of the significance of this issue.

Generation Zoning
Putting aside our preferred connection/ use of system boundary BE can support the application of GBECM-11, Generator Local Charging for offshore transmission charges and the resulting implications for zoning. We acknowledge the increased stability and predictability of tariffs that this approach delivers, British Energy supports this key principle of transmission charging.

We hope that these comments are of some help and if you wish to discuss these matters further please do not hesitate to contact me.

Yours sincerely

Rachel Lockley
Trading Consultant
British Energy, Power and Energy Trading