



An EDISON INTERNATIONAL<sup>SM</sup> Company

Edison Mission Marketing  
& Services Limited  
Bala House  
Lakeside Business Village  
St. David's Park  
Deeside  
Flintshire CH5 3XJ  
Tel: +44 (0)870 238 5500  
Fax: +44 (0)870 238 5577

Richard Lavender  
Senior Commercial Analyst  
Commercial  
National Grid Company plc  
NGT House (Floor C3)  
Warwick Technology Park  
Gallows Hill  
Warwick  
CV34 6DA

[richard.lavender@ngtuk.com](mailto:richard.lavender@ngtuk.com)

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Dear Richard,

**GB Transmission Charging: Final Methodologies Consultation**

Thank you for the opportunity to comment on the Final GB charging consultation.

We are pleased that NGC have been able to develop their charging methodology to take on board comments from ourselves and others. We believe that the recent changes made to the methodology have delivered some improvements, and scenario B now provides a sound basis to go forward with GB charging. We do not support the single voltage expansion constant methodology proposed in scenario A.

**EME supports Scenario B:**

*Multi-voltage expansion constants*

- In this regard, scenario B is clearly more cost-reflective. The use of a single expansion constant in scenario A cannot accurately reflect the cost of future developments on the system. Additionally, moving back to a single voltage approach would be a retrograde step. Having only recently justified the introduction of multi-voltage factors for the first time in 2004/5, we would question the consistency of NGC's approach if this were to be reversed so promptly.
- Furthermore it appears from the work done by NGC that any benefits through improved predictability and stability are limited (in fact the stability assessment on page 36 of the consultation document concludes that the levels of stability for scenarios A and B are the same.)

- We are unclear therefore whether Scenario A does in fact better meet the objective of facilitating competition. Indeed, despite the potential weight given to this objective, there has been a lack of clarity throughout this process as to how any proposals might be assessed against this licence objective. We believe that tariff predictability, and stability are by no means the only criteria relevant to the effective facilitation of competition. Future developments should be measured against all relevant criteria – this may require work with the industry to identify an appropriate framework.

*Implementation of a G/D split of 10/90 to avoid negative generation charges*

- As we have commented previously, this will also be consistent with developing EU policy in this area and is a sensible change to the current methodology.

**Further comments on specific issues identified in the consultation paper are as follows:**

*Tariff Predictability*

- We would support the publication by NGC of estimates of future tariffs in order to improve the visibility and predictability of zonal charges.

*Cable Factors*

- We welcome the revisions made to cable factors to include a more accurate representation of maintenance costs. This appears to have been a significant oversight under the current charging methodology - more transparency in the calculation of these factors might have brought earlier recognition of this issue.
- Despite these revisions, in our view the cable factors remain very high, and cost-reflectivity could be improved. In particular, we believe that consideration should be given to separate identification of urban and rural cables and the appropriate expansion constant applied to these individual categories of cable.

*Locational Security Factor*

- With the application of one security factor to all circuits, we believe that peripheral circuits bear a disproportionate share of transmission costs. Future developments should look at the security factor associated with the peripheral circuits with a view to applying a discount for circuits that do not benefit from the N-2 security standard (i.e generation and demand that is spur connected)

*Zoning Criteria*

- The zoning methodology can lead to instability in zones where a node is close to the +/-1 boundary. We believe that further work should be undertaken looking at bringing further stability to the zoning methodology.

We hope that the above comments on the proposals are self explanatory but would be happy to clarify any of these views if required.

Yours sincerely,

**Simon F Lord**