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GB ECM-08 – Modification proposal to the TNUoS Charging Methodology to introduce charging arrangements associated with Offshore Transmission Networks

Dear Tom,

Centrica has significant concerns with elements of this modification proposal. In summary, we are disappointed that a material change away from the established shallow charging regime has been introduced at this stage. Developers currently have to deal with a wide range of issues, particularly in terms of financing and capital expenditure. The transmission charging regime needs to be stable, predictable and rational in order to provide certainty for investors, and proposals to add significant costs to projects at such a late stage in the process only add further uncertainty.

We strongly believe that the costs of substation assets (and, by extension, HVDC converter stations) should not be targeted directly at the offshore generator. Specifically, this proposal may have a *material* impact on the viability of existing and future projects.

While we believe that there are some elements of the TNUoS charge that should target specific costs onto offshore generators (for example, with specific expansion factors), it is clear that charging offshore generators specifically for the costs of the substation assets built for them is inappropriate and introduces a form of discrimination when the proposed offshore regime is compared with the existing onshore regime.

In the enduring OFTO regime, it will also be the OFTO who makes decisions on specification, design and capital expenditure for substations. It is therefore not appropriate for the generator to be exposed to the cost of these assets, particularly where the OFTO has, for example, used innovative technology which may carry a greater cost than a standard, proven design.

Centrica does not believe that a sufficient case has been made for moving away from a shallow charging methodology, which is essentially what is being proposed in GB ECM-08 and GB ECM-11 (Local Assets charging). It is entirely possible, and desirable, to build a charging regime for Transmission Access (offshore and onshore) that allows:

- a local connection without adding a substation charge;
- appropriate socialisation of potentially shareable assets; and yet
- allows a generator to connect with local works and use a suite of products to gain wider access.

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The existing shallow charging methodology is also consistent with the connection/use of system boundary point both onshore (existing) and offshore (proposed).

The costs of HVDC converter stations should, we believe, also be included in the residual (or 'wider') tariff, on the same basis as the arguments for substation costs being socialised. We do not see any material conceptual difference between the two.

Centrica agrees with National Grid that it is appropriate to use circuit-specific expansion factors, given that the OFTO regime dictates that it is the bid of the successful OFTO that defines the exact cost to the generator, and therefore that there may be material differences in costs between different projects. It may be possible with more available data to derive generic expansion factors for offshore, however, and we would support an examination of this in future years.

In terms of the proposals for embedded transmission charging, at a high level the pass-through arrangements seem reasonable, and as National Grid's charging methodologies are not concerned with distribution charging per se, we would not expect any more detail on the actual charges. We would note, however, that for particular projects there is some uncertainty on the future costs associated with DNO charging for generation – this is probably more a matter for Ofgem than National Grid.

As a general point, we would suggest that due to the number of simultaneous charging consultations proposing significant change to the charging methodologies, that National Grid holds industry forums, workshops and presentations in early 2009 to ensure that the wider industry (not just those attending the TCMF) is aware of the impact of each of these changes should they not be vetoed. The public version of the DCLF model will also need to be updated and overhauled in order to provide the requisite functionality. We would ask that National Grid provides a revised copy of this excellent tool as soon as the changes (if any) are approved.

If you want to discuss any element of this response, please do not hesitate to contact me on 07789 572724, or at dave.wilkerson@centrica.com.

Best regards,

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