

**Immingham CHP LLP**

Portman House  
2 Portman Street  
London W1H 6DU  
Tel: 020 7408 6000  
Fax: 020 7408 6723

Stuart Easterbrook  
Transmission Charging Manager  
Commercial  
National Grid Company plc  
NGT House (Floor C3)  
Warwick Technology Park  
Gallows Hill  
Warwick  
CV34 6DA

6 May 2004

Dear Stuart,

**GB Transmission Charging: Initial Methodologies Consultation April 2004**

Thank you for the opportunity to respond on National Grid's latest view of the transmission charging methodologies to be applied across the Great Britain (GB) electricity market following the implementation of the British Electricity Trading and Transmission Arrangements (BETTA).

Immingham CHP welcomed the implementation of the 'Plugs' concept in the amended England and Wales (EW) charging arrangements applying from 1 April 2004, together with the associated changes to TNUoS. Accordingly, we support National Grid's intention to develop the GB charging methodologies from 1 April 2005 based upon the modified EW charging arrangements. It remains important that all GB customers gain the benefits of genuine shallow connection charges as soon as possible.

In terms of the options for GB use of system charging presented in the April consultation, Immingham CHP is generally supportive of a cost reflective charging approach, but we have the following general comments:

- we would like to obtain further information about how these charges were calculated and the probability of variability in the charges as the methodology is further developed. It is important that National Grid provides both greater transparency and certainty to the market regarding the new GB charging regime and ensures that timely information on new GB charging tariffs is available. In this regard, we note the proposed timetable for finalising tariffs by October 2004 and would expect National Grid to adhere as closely as possible to these timescales;
- we would tend to support option 2 from the April consultation, but are concerned about possible variability year on year because of the use of "unbundled" expansion constants; we believe this potential instability highlights the need for NGC to develop sensible

proposals for a long-term charging methodology that would enable generation market participants to hedge their risk outside of their control;

- we note the comments made during the previous consultations on the December 2003 and January 2004 consultations by other respondents about the need to take into consideration wider issues such as environmental impacts and government energy policy, but believe that such an approach could fatally compromise the cost reflectivity of the charging arrangements. These non-transmission issues should be dealt with outside the charging arrangements by way of explicit subsidy;
- we still have concerns about the appropriateness of a GB locational security factor of 1.83, which seems designed to deliver an arbitrarily wider locational charges and is not cost reflective, albeit this value is not yet final;
- we support the removal of negative demand charges, which would create perverse incentives at a time when low carbon outcomes are to be promoted; and
- a move towards changing the generation to demand split of use of system charges seems to be appropriate and we would encourage further discussion with Ofgem about how this may be brought about within the timescales for developing GB charges.

Please do not hesitate to contact me on 020 7408 6233 if you have any questions regarding this submission.

Yours sincerely,



Rekha Patel  
Power Regulatory Analyst