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Dear Alex,

UoSCM-M-10 Proposal to amend the methodology for calculation of locational TNUoS tariffs

Powergen, on balance, supports the above package of changes. However, we are concerned that individual changes resulting from the charging methodology review have been amalgamated into one modification proposal rather than being considered in isolation. This we feel hinders the Authority's ability to choose the best package of changes based on each element's individual merits.

In terms of the individual elements of the modification proposal our views are unchanged from those expressed in our response of 1 August to the charging review, namely that we:

- Support the introduction of a DC Load Flow (DCLF) model to replace ICRP as this will provide a more realistic solution by taking the electrical characteristics of the system more into account.
- Believe that a security factor of 1.9 should be utilised to provide similar results to using a secured DCLF model without the associated complexity.
- Do not support using a fully forward looking expansion constant as charges should not only reflect new investment, but also greater or less usage of existing assets.
- Agree that substation costs should not be regarded as locational.

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We note that zonal differentials appear to have been slightly reduced by the proposal although the consultation appears to suggest that they have been increased by around 10 percent. This is of some concern as locational signals should be strengthened, or at least maintained, not weakened. Therefore, although we support the implementation of UoSCM-M-10 in general, we would prefer to see an expansion constant which took into account of the cost of existing assets on the system.

Yours sincerely,

Paul Jones
Trading Arrangements

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