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Dear Craig,

**Consultation Document**  
**Regarding the application of the TNUoS charging methodology for determining**  
**generation charging zones for the price control period beginning 2007/08**

Thank you for the opportunity to respond to this Consultation Document. This response is submitted on behalf of the UK energy businesses of ScottishPower, namely ScottishPower Energy Management Ltd, ScottishPower Generation Ltd and ScottishPower Energy Retail Ltd.

This consultation has been precipitated by the publication of the Condition 5 report on long term TNUoS Tariffs which indicates that zonal generation charging boundaries may not remain stable within the next price control period due to the pattern of connection and withdrawal of plant indicated in the current Seven Year Statement (SYS).

The overriding objective of the TNUoS charging methodology is to provide stable, predictable, transparent and cost reflective charges. However, the zonal charging methodology inherently gives rise to volatility into TNUoS charging.

It would be informative to explore the effect on the future generation charging zones of inflating the £1/kW collar applied under section 2.17 (i) of the charging methodology. This would help eliminate the stretching effect of inflating the Expansion Constant. If this was found to reduce the fragmentation of generation charging zones then a modification should be brought forward to incorporate this change in the charging methodology.

In examining a range of sensitivities over the price control review period, a higher weighting should be applied to the more reliable data in the earlier years of the SYS. This should potentially eliminate the creation of new charging zones within the review period arising from changes to connection and withdrawal dates and remove some of the volatility. In particular, increased weighting should be applied to the first two year's data whose robustness should be strengthened by the incentives to notify reductions of TEC proposed within CAP 131.

Generators require stability in charging to protect them from short-term but potentially material movements in charges due to connection events which are outwith their control. In examining the criteria to be applied in determining charging zones, fewer and larger zones help provide this stability. Inflation of the £1/kW collar and weighting of the SYS data used should help achieve this stability.

I hope you find these comments useful. Should you have any queries on the points raised, please feel free to contact us.

Yours sincerely,

**James Anderson**  
**Commercial and Regulation**