

Mathew Hofton
Electricity Charging & Access Development
National Grid Electricity Transmission plc
National Grid House
Warwick Technology Park
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31 January 2008

Dear Mathew,

British Energy response to the pre-consultation document for TNUoS Generation Zoning Criteria (GB-ECM 10)

The British Energy group of companies welcomes the opportunity to respond to the above consultation.

Key points:

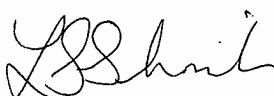
- **British Energy believes that stability of zones is the most important factor allowing users to model changes to the network and more accurately predict future tariffs**
- **We believe that it has been timely to review the definition of 'exceptional circumstances' and that the inclusion of further criteria will provide more clarity of such circumstances**
- **Whilst we support the stability of zones we do not wish for the erosion of locational signals and consequently feel that the $\pm£1.00/kW$ criterion should remain at $\pm£1.00/kW$ and increase with RPI from 2008 onwards.**

It is clear to British Energy that the generation zones should be reviewed at each price control and at times of major industry reform and therefore exceptional circumstances should be defined in terms of the major restructuring of industry frameworks. British Energy also believes that setting a definitive range within which the differentials between nodal tariffs within that zone must remain will provide greater stability of the generation zones within a price control period. Linking this to the reconciliation of manifest errors by setting the range at $\pm£0.50/kW$ could be considered as appropriate.

Reviewing the $\pm£1.00/kW$ criterion has been appropriate since it has remained unadjusted whilst other factors in the Transport Model have been reviewed. British Energy feels that a step change in line with previous RPI increases to $\pm£1.50/kW$ is an unnecessary revision of history and erodes the locational signal by introducing fewer, less cost reflective zones. Any index-linking to the Expansion Constant and Global Locational Security Factor of the $\pm£1.00/kW$ criterion would need further analysis in order to understand whether it presents an optimal solution. Consideration of removing existing generation zoning criterion in favour of the existing demand zones, with no periodic review would need a more detailed assessment of the impact on tariffs and demonstration that this would meet the licence objectives of the methodology.

Please contact me directly should you need clarification on any of these points.

Yours sincerely



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