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Alex Thomason
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Dear Alex,

Review of National Grid's Transmission Charging Methodologies, covering both connection and use of system.

Immingham CHP support National Grid's commitment to establishing charges for the provision of a connection to the transmission system that represents the costs of connection attributable to a single user, thus improving cost reflectivity and encouraging competition in the provision of connections.

Modification Proposal to the Connection Charging Methodology, CCM-M-07.

In order to achieve the objective of a single user cost of connection, it is necessary to implement National Grid's proposed 'Plug' concept, specifically the change of definition of connection/infrastructure boundary. It is vital to ensure all shared assets are moved into infrastructure. We support sub-stations, generation only spurs and shared transformer circuits moving out of connection and into infrastructure.

The primary concern Immingham CHP has with CCM-M-07 is associated with the proposed change to calculating site-specific maintenance charges. The modification proposes to levy the charge on an indicative basis, with a reconciliation process in the following year. There has been no analysis provided with regards to the likely site-specific maintenance charge to be incurred by market participants and the variation to be expected via the reconciliation exercise. Therefore, it is difficult to accept National Grid's comment, 'Given the relative magnitude of the charges and the small magnitude of likely variations from a national average figure.' Immingham CHP would like to stress its concern of the site-specific maintenance cost becoming an unpredictable, volatile yearly charge.

Modification Proposal to the Use of System Charging Methodology, UoSCM-M-10.

Immingham CHP was disappointed with National Grid's approach of bundling the DCLF model, forward-looking expansion constant and locational security factor, within the revised methodology proposal. The responses to the 'Initial Charging Methodology Consultation' in June 2003, clearly illustrated that the locational security factor within the calculation of TNUoS tariffs was the least supported element, thus only 5 in support whilst 9 against. We believe it would have been more reflective of market participants' view to propose the locational security factor as a separate proposal. Market participants attending the Transmission Charging Methodology Forum (TCMF) on 10th September 2003, were lead to believe National Grid would combine the DCLF and forward looking expansion constant as a consequence of a supportive majority, whilst the locational security factor would be consulted upon separately. The majority of the industry believes that the present methodology of charging secured transmission capacity on flat basis is the appropriate means thus reducing distortions associated within a locational security factor.

Modification Proposed to the Use of System Charging Methodology, UoSCM-M-11.

We continue to believe that the development of a within year TNUoS charge proposal requires further work. We do not support National Grid's proposal to modify the statement of use of system charging methodology to introduce a flat, non-locational, year round charge based on MWh usage to recover 10% of the TNUoS revenue. We believe that the proposal does not consider part year charges and could be construed as a mechanism for allocating charges within year, and therefore falls short of the commitment given by National Grid and reflected in the March 2003 SO incentives decision document.

Please do not hesitate to contact me on 0207 408 6233 if you have any questions on the issues raised.

Yours sincerely,



Rekha Patel
Regulatory Affairs Analyst