

## **Consultation Document: Modification Proposal to the Connection Charging Methodology: CCM-M-07**

### **Key Point**

- **British Energy supports the shallow connection or "Plugs" model in principle.**

### **Specific comments on National Grid's Detailed Proposals**

This modification is predicated on the use of the super-shallow "plugs" model for the allocation of connection assets. British Energy supports the "plugs" model in principle, but we have some comments on the document.

### **Connection Charging Proposals**

- Fundamental changes to the existing balance of connection charges and zonal use of system charges should proceed only where it can be shown that the proposed new structure is demonstrably more efficient than the structure it replaces.

### **Connection Boundary**

- The redefinition of the connection boundary results in substations and associated site infrastructure and land, generation only spurs, and shared transformer circuits moving into infrastructure. This super-shallow connection boundary will be achieved through the changes proposed in the appendix document. This will have the effect of decreasing pricing volatility (in particular at shared sites) which improves the economic efficiency of the methodology.
- On the other hand the potential is created though for new entrants to use less efficient configurations or sites as the cost will be ameliorated throughout the network. The existing incentives and obligations on NGT will therefore need to be carefully monitored to ensure such an outcome is avoided.

### **Land Charges**

- Due to the proposed change to the connection boundary under "Plugs" it is necessary to remove Land Charges from the Connection Charging Methodology. The amendments in the appendices document achieve this objective satisfactorily.

### **Termination Charges**

- Due to the proposed change to the connection boundary under "Plugs", there would no longer be any shared connection assets. "Type B" termination charges



are therefore obsolete and the methodology amendments reflect this. This will improve the efficiency and the clarity of the methodology and provides a more stable framework for users.

- There is the potential for this to increase system costs for all users however as it removes some of the impetus for efficient use and design of new connections. As with new connections this aspect will need careful monitoring.

### **Site Specific Maintenance Charges**

- National Grid proposes to account for the Site Specific Maintenance charge on a cost pass through basis, rather than using the current 3 year historic average to apportion a total maintenance forecast. This would appear to be a more 'cost reflective' methodology than the current system and the changes in the appendix will accomplish the objective.
- There is, however, the potential for significant year to year price volatility in the SSM charge as a result of this change. Generally users would wish to avoid any charging 'shocks' hence this aspect of the change will also require monitoring.

### **Treatment of Substations**

- The removal of substation costs from the locational element of the charge is justified on the grounds that these costs do not vary by location. BE agrees with this conclusion particularly with respect to incumbents who are unable to respond sensibly to locational signals in any event.

### **Treatment of Generation Only Spurs**

- The proposed treatment of Generation Only Spurs will remove the existing 'deeper' connection costs associated with certain locations. British Energy supports this change as it will result in the economic development of this mature transmission system. The present arrangements can be seen as a barrier to new entrants which also discourages the utilisation of existing spur capacity.