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Our Reference GB ECM-18

Dear Stuart,

**CONCLUSIONS REPORT FOR LOCATIONAL BSUoS GB ECM-18
RESUBMISSION WITH SUPPLEMENTARY ADDENDUM**

Please find attached, the conclusions report for the Use of System Charging Methodology modification proposal GB ECM-18 concerning the introduction of Locational BSUoS on non-compliant derogated boundaries and an addendum that covers further analysis on the proposal.

The conclusions report is a resubmission of the original report previously submitted on 22 May 2009 with no changes. In accordance with Standard Condition C5 of the Transmission Licence, the report sets out:

- (a) the terms originally proposed for the modification;
- (b) the representations made by Users;
- (c) any changes made to the terms of the modification intended as a result of such representations;
- (d) how the intended modification better achieves the relevant objectives; and
- (e) a timetable for implementation of the modification.

The addendum covers the further analysis requested by Ofgem to assist in the production of a Regulatory Impact Assessment, principally:

1. An assessment of the effect of GB ECM-18 on generators in different locations (e.g. in relevant zones) and using different types of fuel (e.g. wind, nuclear, gas etc.).
2. An analysis of the likelihood of changes in the output and bid/offer prices by generators in response to the proposal, together with the resulting impact on costs and volume of constraints and the wholesale price, assuming that no generators have any significant market power and that bid/offer prices are broadly cost-reflective.

3. An analysis of the likelihood of changes in the output and bid/offer prices by generators in response to the proposal together with resulting impact as mentioned in 2 above, but assuming that generators do have market power.

The analysis presented as part of 1 and 2 above also includes an assessment of the impact on the wholesale price and sensitivity analysis around potential changes in the market condition.

In accordance with Standard Licence Condition C5, National Grid will modify the Use of System charging methodology after a period of 28 days should the Authority not give direction that the modification may not be made within this period.

We will be publishing the addendum report alongside the original conclusions report to all concerned parties in parallel to this letter on the National Grid charging website.

If you have any queries please do not hesitate to contact me.

Yours sincerely,

Hêdd Roberts
Electricity Charging and Access Development Manager

CC Min Zhu, Dena Barasi, Anthony Mungall