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## Energy

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Our Ref. GB Transmission  
Your Ref.  
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Dear Stuart,

### **GB Transmission Charging : Initial Thoughts**

Centrica welcomes the opportunity to comment to National Grid on the above paper.

We are very concerned that using the England and Wales methodology as a basis for Transmission charges on a GB basis raises a myriad of issues that will need to be considered before the implementation of BETTA in April 2005.

We suggest that it would be more appropriate to consider creating a new transmission charging methodology on a GB wide basis that would be considered more robust and equitable going forward. We believe that NGT (with Ofgem's support) still have sufficient time and resources available to carry out a complete review of the charging methodology before April 2005. We further believe that this course of action is likely to result in a more efficient outcome.

Furthermore, we suggest that the continuation of negative charging zones for generators (as well as the added issue of introducing them for demand) should be carefully considered. We believe that use of system charges for the transmission system would be more cost reflective and more stable if positive charges were to be applied to all parties. At the very least, we suggest this option needs to be considered in greater detail.

We are very concerned over the variability across the indicative charges for each scenario. This suggests that if, in the future, NGT considers a particular change is appropriate (against the relevant objectives) the industry could suffer, as a consequence, quite significant swings within their TNUoS charges. This is not a desirable outcome. We suggest that the majority of the industry considers stability of prices as a very high priority.

Having just experienced such a significant change in TNUoS charges following the implementation of CCM-M-07 and UoSCM-M-10, we would like to highlight our considerable concerns about the fundamental changes between the indicative charges published by NGT as part of this process and the actual TNUoS charges recently released.

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On the generation side, one (part of a) zone (the zone boundaries have altered) has seen their TNUoS charges change by a factor of 20. This is obviously the extreme, however percentage differences in double figures are not uncommon. On the demand side, the Northern zone has experienced a detrimental increase of around 40% (between indicative and actual). The changes between actual (03/04) and actual (04/05) charges are obviously far more significant.

The whole area of NGT publishing indicative charges that are not regularly updated and based on (with hindsight) inaccurate assumptions raises real commercial and budgetary concerns. We believe that it is vital that this issue is not experienced again by the industry and customers with the implementation of BETTA.

On a final point, has any work been undertaken to quantify the extent of the impact to TNUoS charges as a result of any changes to connection/infrastructure boundaries in Scotland? We suggest an initial impact assessment in this area (including bilateral connection agreements) is urgently required and that the results of which should be published and/or circulated to the industry as soon as possible.

Please contact me if you have any queries regarding these comments.

Yours sincerely,

Sarah Owen  
Commercial Manager  
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