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Dear Alex,

UoSCM-M-11 Introduction of Year Round TNUoS charges

Powergen does not support the above proposed form of year round tariff as it does not appear to bring any particular benefit to transmission users, whilst it increases complexity and risk for suppliers and generators.

The main benefit for users of a within-year charge is to avoid charges during periods when they are not generating or supplying electricity. At present, for example, a power station which only generated for half the year would be charged the same as one which generated year round. Whilst views differ as to whether this is appropriate or not, the above proposal will be of little benefit to users, as only 10 percent of costs will be recovered through the within year charge. Users will still be exposed to 90 percent of charges on the existing charging basis, so the proposal would prove to be largely cosmetic in nature.

Whilst the benefits of the proposal are not clear, it will certainly present problems for suppliers and generators alike. Currently, when suppliers set their prices they have to forecast the demand of their half hourly customers during the triad and the demand of their non half hourly customers during the period 1600 hours to 1900 hours. Likewise generators in costing their plant have to ascertain the likely load factor they will achieve. If the proposal is implemented, then suppliers will additionally have to forecast their demand, and generators will have to predict their output, for the period

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0700 hours to 1900 hours. This will increase the complexity of users' processes and systems, and will introduce an additional potential source of forecasting error. This in turn will increase participants' costs and risks to the detriment of competition.

Interestingly, NGC does not accept this argument stating that no evidence has been forthcoming. No evidence has been provided as to the benefits of the proposal either, but NGC believes that this is sufficient for it to proceed. We are therefore concerned as to the asymmetric burden of proof which NGC has adopted in this process, to force through a change which is not supported by the majority of respondents to the charging methodologies consultation.

In light of the above problems with the proposal and lack of any clear benefit we strongly believe that it should not be pursued further.

Yours sincerely,

Paul Jones
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