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Dear Mr Lavender

Proposed Transmission Charging Methodologies of the GB SO

BSUoS

Uskmouth supports NGC proposal to alter the definition of the chargeable party to ensure the inclusion of any large embedded licence exemptible generation in Scotland. NGC must have a route to charge parties for charges that all other similar parties are liable for. NGC should discuss with the community the best way to address the contractual issue that seems to have arisen. It is important that NGC does not limit the commercial decisions that parties may make between themselves over which party pays for which charges in bi-lateral contracts.

Revenue Share by Users

Uskmouth disagrees with the Authority's conclusion that NGC's proposal to increase the share of total revenue recovered from suppliers and large users under Option B to 90% was disproportionate. By undermining this part of the Option B proposal the Authority have altered the charges to the levels similar to Option A removing many of the cost signals that it was designed to send to participants. Even if a move to 90:10 meant a greater change in charges at one time, NGC should try to alter the split, say to 80:20 in the short term and look to move further in the longer term. This would allow participants time to respond to the signals given.

The Authority suggested that aspects of Option B that addressed the issue of negative demand charges would place an additional burden on consumers, but they also noted that the medium to long term the net effect on consumers might be expected to be zero. It would therefore have been more appropriate for NGC to propose a steady move towards full cost reflectivity. In its letter the Authority suggested that NGC should consider other methodologies to reduce the impact on some customers, which NGC's latest proposal fails to do, simply reverting to the existing arrangements.



Uskmouth Power recognises that NGC may have been concerned that any move away from the existing England and Wales methodology risked rejection of their proposals, when BETTA arrangements due to commence in April. However, we would urge NGC to commit now to reconsidering the split in the near future.

Negative Demand Tariffs

NGC's proposed move to a 27:73 split in the GB charging methodology does still result in negative demand tariffs in the North of Scotland. Uskmouth agrees with NGC that a simple minimum £0/kW demand tariff principle for a zone is the best way to address the problems associated with the negative demand tariffs. We agree with NGC that compressing of the tariff differentials or merging of zones creates other distortions that will ultimately be to the detriment of customers.

At times of high system demand customers should not receive perverse economic signals about the costs associated with system use. For generation we are of the view that the negative prices do send signals to which we and other generators in similar locations can and do respond. It is also evident that there are real economic benefits to the system from plants in negative zones operating, both on investments costs and also on losses.

Expansion constants

Uskmouth would only comment that it seems unlikely that the costs on different transmission networks should vary significantly and we are slightly concerned by the data now being provided by the transmission owners at this late stage of the decision making process.

Uskmouth Power Company hopes that these comments are helpful.

Yours sincerely



Sam Murray