



Andrew Truswell
Electricity Charging & Access Development
National Grid Electricity Transmission plc
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

E.ON UK plc
Westwood Way
Westwood Business Park
Coventry
CV4 8LG
eon-uk.com

Paul Jones
024 76 183 383

paul.jones@eon-uk.com

8 February, 2008

Dear Andrew,

Offshore Electricity Transmission Access and Compensation

Please find attached E.ON UK's responses to the specific questions raised in the notes of the industry workshop held on 3 December 2007. E.ON UK generally supports the initial views put forward by National Grid.

We will address each question raised in turn.

1. Do you agree that the principles applied to customer request design variations (as represented in the current arrangements or in the CUSC amendment CAP149) should extend to offshore connections which, whilst compliant with the offshore standards in the SQSS, do not have the same levels of circuit redundancy as compliant onshore connections?

Yes. The SQSS may specify a lower level of redundancy for offshore transmission connections, but this simply relates to the design of the transmission system and investment that transmission owners are required to make when a connection is requested. The issue of access rights is a separate matter.

A connection with lower redundancy levels will pose a greater risk of increasing total balancing costs if it is afforded fully firm access rights. We do not believe that it is acceptable to expect the wider community to pay for this through increased charges, particularly as generators with similar levels of redundancy onshore will not be afforded fully firm rights.

E.ON UK plc
Registered in
England and Wales
No 2366970
Registered Office:
Westwood Way
Westwood Business Park
Coventry CV4 8LG

However, we also believe that if lower levels of rights are provided that this should be reflected in the transmission charges levied on the generator concerned. We note that National Grid will be consulting on this issue further in the coming year.

2. Currently, if a restricted capacity had to be shared between parties, entitlements would be set by pro-rating the different parties' capacities. Are more sophisticated Offshore Electricity Transmission Access and Compensation arrangements required at this stage for offshore networks or is sufficient flexibility delivered through pro-rating and short term access products?

Prorating would not necessarily provide the most efficient solution to this issue as at times generators may wish to share the assets concerned on a different basis. However, it must be borne in mind that the issue would only arise in respect of physical offshore assets that are shared between more than one generating station. It is not clear at this stage whether such sharing will take place, or how many stations could be affected. More sophisticated sharing arrangements will be complicated to develop and administer. Therefore, in light of the uncertain demand for such arrangements we believe that it would be premature to develop them at this stage.

3. Should Offshore Transmission users be compensated for a loss of access due to a problem on the onshore component of the transmission system on the same basis as onshore users?

Yes. If the arrangements are to follow those onshore for design variations then compensation will only be unavailable for problems with assets that have the lower level of redundancy. If the onshore assets have the required level of security then compensation should be payable as normal if they are not available.

4. Do you agree that the most appropriate source for compensation to offshore users in the event of an offshore access restriction is the Offshore Transmission Owner under and OFTO Incentive framework?

Yes this would appear appropriate although the details of such arrangements would have to be clear before we could comment further. Clearly this is an issue for Ofgem as the incentive framework would be provided under the Offshore Transmission Licence.

5. Should 'CAP048' style compensation payments only be available to offshore users who have a connection standard equivalent to the minimum standard specified in the SQSS for onshore users?

6. Should any 'CAP048' compensation cover the onshore component of charges as well as the offshore component?

As we mention above, we believe that generators should be compensated if the compliant onshore network is not available. This means that generators connected with lower standard offshore assets but compliant onshore assets would be compensated for an unavailability of the onshore assets. This is consistent with the onshore arrangements for

design variations. It is only when non compliant onshore assets are unavailable that CAP048 payments are not made.

Of course, the level of compensation is then the issue to consider. We see the argument for only compensating the onshore element of the charge. However, this would not be consistent with the treatment of design variations onshore, which are compensated at the full TNUoS rate, which could in part include the costs of the non compliant assets. The issue becomes more important for offshore connections as the cost of assets that have lower redundancy make up a larger part of the total TNUoS charge. We note from discussions at the Charging Issues Standing Group that National Grid is considering whether or not to change how the costs of local assets are recovered. If specific charges are developed for local infrastructure then this issue may be easier to address as compensation could be restricted to the charges paid for the wider secure network.

I hope that the above comments prove helpful.

Yours sincerely

Paul Jones
Trading Arrangements