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Dear Tom,

### **GB-ECM 11 – Charging Arrangements for Generator Local Assets**

Thank you for the opportunity to comment on the above consultation document. This response is made on behalf of E.ON UK plc. Since the pre-consultation on this issue we have been able to consider this issue further, not least as part of the Transmission Access Working Group 3. This has allowed us to develop our thinking, particularly in respect of the substation charge which we do not believe should be implemented.

#### **Substation Charge**

There appear to be two rationales for the creation of a local access charge. Firstly, it is to provide a financial incentive for generators to accept a lower standard of connection than is allowed for under the GBSQSS. Secondly, the proposed amendments to CUSC for different access products require that the costs of local assets and the residual charge continue to be recovered from all generators. We totally agree with the second of these aims. However, in respect of the first it is uncertain why there is a need for financial incentives to accept lower standards of connection if the basic minimum standard of connection provided by the GBSQSS is regarded as acceptable.

The GBSQSS have been signed off by the Authority as being the correct minimum standards to apply to new connections. Therefore, a generator should not feel obliged to step below these standards in respect of its power stations unless it has good reason to do so, for example as a requirement of its planning permission. It is not clear that the charging methodology should be adjusted in this manner to provide a financial incentive

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to accept such a lower standard. We accept that the outcome of a shallow methodology is that the precise economic effects of doing so are not seen by the generator. However, this is true for other elements of the charge that relate to assets deeper into the network. This has been deemed acceptable as the other benefits of a shallow charge outweigh the issues it creates.

We understand that the design variation issue first arose as the result of the price control settlement of at least one transmission owner that does not allow the relevant transmission owner the money to make many SQSS compliant connections. As a generator we believe that it is remarkable that an agreed price control should not accord with the basic standard of connection to which a generator is entitled under a regulated set of standards. If this causes problems in practice then it is the price control agreement that should be revisited not National Grid's charging arrangements. The reason that we restate this view formally in this consultation response is that the sole purpose for a substation charge appears to be to provide an incentive to accept a lower standard of connection. It is not required in support of the transmission access proposals as the costs of substations could be recovered through a specific residual charge in the same manner as now.

As we do not support the principle of a price control that does not allow the minimum standards of connection to be met, we do not agree with the rationale for a specific substation charge. We agreed in the pre-consultation that this issue should be explored further by National Grid, but we do not believe that a strong rationale for a specific charge has been found. Indeed, the cost of demand substations would continue to be recovered through the residual tariff if a generator substation charge were to be introduced. We therefore believe that the costs of generators' substations should continue to be recovered in a similar manner to now and the ongoing treatment of demand substations.

## **Circuit Charge**

We do however support the inclusion of a circuit charge. This is an element of the existing TNUoS charges that needs to continue to be recovered from generators should alternative access arrangements or products be introduced. Of the two methods mentioned, we continue to support the "Specific Treatment of Local Generation" Option A. The "Distance to Zonal Hub" (Option B) approach in our opinion is somewhat arbitrary in that it does not seek to recover costs associated with actual assets. Additionally, it could become volatile changing when other generators cause the zone average charge locational charge to move.

Option A aims to reflect the actual assets associated with the generator in its local charge. We accept that in some specific circumstances this approach may have its limitations. However, this could be addressed if National Grid and the generator concerned were able to agree an alternative specification of the MITS node or the local assets in these instances, subject to approval by Ofgem. Therefore, we believe that consideration should be given as to whether this facility should be introduced into the final proposal to be sent to Ofgem for approval.

Otherwise, having been involved in discussions developing the proposals and leading to the publishing of the consultation paper, it is sufficient to state that we agree with the points made in the consultation in support of the specific approach of Option A.

## **Conclusion**

Therefore, in summary we support the introduction of a circuit local charge using the specific approach of Option A, but we do not agree with the introduction of a substation charge. The arrangements should simply result in a split of the existing unified charge between its local and wider components and should not seek to alter significantly the cost recovery principles that presently exist.

I hope the above comments prove helpful.

Yours sincerely

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