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Dear Mr Lavender

**GB Transmission Charging: Final Methodologies Consultation**

Uskmouth Power Company Limited wishes to register its support for NGC's proposal to move to a more cost reflective methodology for Use of System charging, Scenario B, for Great Britain. NGC's proposals do better fulfil its relevant objectives by better reflecting system costs and thus improving competition.

Uskmouth agrees with NGC that the proposal will best lead to tariffs that represent the current transmission system and therefore will provide the most effective and efficient signal to investors in the siting of new generating capacity. We expect new generation stations to be considered in the next few years and it is to the benefit of customers, through lower charges that this new build is undertaken in areas that will enhance the system design and place generation nearer to demand.

If Ofgem were to favour Scenario A it would give a windfall gain to Scottish generators and undermine the efficiency of the market signals created. The BETTA project has been designed to try and create a level playing field across the GB electricity market and transmission charging forms an integral part of that market. The long term interests of customers will best be served by sending clear economic signals to market participants about where to site plants and when to operate them. The Scottish players are also gaining from changes to connection charging so their position is relatively neutral under Scenario B.



Uskmouth recognises the concerns that the Government has raised in relation to the siting and associated costs of renewable generation, given their own targets. However, the current bias towards wind farm developments will result in an increasing need for "back-up" generation, most likely to be in the form of new CCGTs. If NGC's charging methodology is used to try and soften the cost of transmission to all Scottish generators, the UK will not benefit from new build where it is most needed. If the Government wishes to find routes to subsidise investment in renewables technology then it must do so transparently so as to not distort market signals that influence the location of conventional plants. Direct subsidies aimed at reducing development costs are economically more efficient than indirect subsidies which suppress market signals and undermine complimentary investment decisions.

NGC is also right to adjust charges so as not to incur negative demand tariffs. Uskmouth agrees that 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.

Uskmouth notes the comments that have been made in relation to the volatility of prices under the two scenarios. However, there seems to have been no significant analysis to resolve this argument either way. In principle Uskmouth favours charging regimes that give all players stability and the ability to forecast business costs. This does, however, have to be weighed against achieving cost reflectivity and this aim seems to be far better achieved by the methodology described in Scenario B.

Uskmouth Power Company hopes that these comments are helpful.

Yours sincerely

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

**Alex Lambie**  
**Chief Executive**

cc. Lisa Waters