

Mr. Richard Lavender
National Grid Company
NGT House

21st January 2005

Dear Richard,

GB Transmission Charging: UoS Charging Methodology Consultation 20th Dec 2004

On behalf of EDF Trading Ltd and EDF (Generation), please find below the comments for your consideration, on the above mentioned consultation document.

Whilst we understand the position in which NGC has been placed, we are nevertheless still concerned at the position that we and the rest of the industry find ourselves in. We are within three months of the start of the next financial year and we still do not know what the level of transmission charges will be. This is a state of affairs that we sincerely hope will not be repeated. Like many parties, but moreover in our case, as an Interconnector User and specifically on the Anglo-French Interconnector, we had to use the indicative figures that were available at the time of the annual capacity auctions in December. The figures as presented in this latest consultation differ greatly from those pertaining in December and would have had a significant bearing on the auction bid prices, had they been known earlier. Those Interconnector Users who were successful in bidding for the capacity have paid a higher price than they would otherwise have done. This situation is not conducive to efficient market practice and certainly not one that encourages efficient trade between systems and countries.

With regards the charging proposals as presented, we still agree that Option B is the more appropriate methodology and on the basis that it is more cost reflective of the two. However we are disappointed it has been seen necessary to further amend the proposals as presented to the Authority in October. In particular, we don't agree that the move to a 10:90 split was an inappropriate response to remove negative demand charges; to us it seemed a very appropriate action, especially as it was the cost reflective solution and it did begin the process of harmonizing tariffs with the rest of Europe, which is something that will have to be addressed before much longer. To move away from the October position to a less 'cost reflective' position with another 'fix' appears to be a missed opportunity and one that only delays the problem. We acknowledge that this appears to be seen as a temporary measure and we would advocate that a permanent solution to removing negative demand charges is found during the next six months and introduced for the 2006/07 Charging Year. Furthermore, aligning charges on 90:10 split should also be introduced next year, although if phasing-in is required, then in our opinion this should be done over no more than two years. This should be a step towards a 100:0 split as advocated by the EC, which could be implemented the year after.

On the issue of lower voltage expansion factors, if as we are told this new approach is in fact more cost reflective then we would have no reason to disagree with its use.

We continue to have concerns about the appropriateness of having any Transmission related charges assigned to the Interconnectors, even more so with regards them being passed through to the Interconnector Users rather than allowing the bid prices to reflect the value. We were hoping that changes to the methodology would have been introduced for this coming charging year, but we remain hopeful that this will eventually be the outcome. We look forward to further discussions on this issue in the near future as the European debate advances.

We hope these comments prove helpful and look forward to the Conclusion Report at the end of January and its indicative charges, the latter being the only information available for our use in the next round of annual Interconnector capacity auctions on the Anglo-French Interconnector in February.

Yours sincerely

Steve Drummond
UK Market Adviser to EDF Trading Ltd.