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CONSULTATION DOCUMENT: Regarding the application of the Transmission Network Use of System charging methodology for determining generation charging zones for the price control period beginning 2007/8

Dear Craig,

Thank you for the opportunity to respond to the above consultation. The following comments are provided on behalf of RWE Trading GmbH, RWE Npower plc, Great Yarmouth Power Ltd, Npower Cogen Trading Ltd, Npower Commercial Gas Ltd, Npower Direct Ltd, Npower Ltd, Npower Northern Ltd, Npower Northern Supply Ltd, Npower Yorkshire Ltd, Npower Yorkshire Supply Ltd.

Generally, we welcome this attempt to inform and involve others in the process of determining zones. We recognise the difficulty NGET face in finding a balance between stability and cost-reflectivity and believe it is sensible to consider methods of taking into account of the generation and demand profiles for future years within the price control period.

The criteria used by NGET represents some hard constraints, e.g. the +-£1 nodal spread within zones, and some soft ones, e.g. electrical and geographic proximity. Since every node can be reached electrically from any other, this criteria allows too much subjectivity, and similarly geographic proximity depends of judgement. The zones used in the past are clear examples of this where nodes near Dover are grouped with nodel in Shropshire. There is a statement in the charging methodology which states that generation tariff zones would follow the main system boundaries in some secondary criteria of the method, the zone labelled 24 in the consultation spans no less than four main system boundaries and any generation deviation from the base plan would mean that new zones are required.

Specifically, on the questions raised within the consultation, we do not believe that having the least number of TNUoS generation charging zones can be a primary criteria. There is no clear benefit to having the least number as any additional administrative burden or complexity is not great. Further, it would not be cost-reflective to have producing the least change as the primary objective. Finally, whilst it is recognised that there are questions over the suitability of the data for later years covered in the Condition 5 report, to use weightings would bring in an unhealthy level of arbitrariness or even further subjectivity.

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In addition to these, exact specification of what would qualify as the 'exceptional circumstances' required to necessitate the changing of zones within a price control would clearly be of assistance.

Please feel free to contact me to discuss this reponse in more detail.

Yours Sincerely
Andy Manning
Transmission Charging Manager
npower