



Craig Maloney
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Dear Craig,

Consultation: 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.

EDF Energy is pleased to have the opportunity to comment on the application of the TNUoS charging methodology.

We have previously agreed with National grid that TNUoS charges should be “predictable and stable” and have been pleased that National Grid has endeavoured to provide data and information on tariffs through charging Condition 5.

We understand that the next price control period will place significant demands on the transmission system, as new plants are commissioned in locations that have little to no transmission connected generation. NGET has stated that projects in the GB SYS may necessitate 30 zones over the next price control, not the current 21, if the zonal criteria of +/- £1/kW be maintained. By retaining 21 zones it is likely that the zonal criteria would see some zones (at the extremes) having ranges of values well in excess of the +/-£1/kW criteria.

NGET has stated in its consultation that it considers that TNUoS zones can either be calculated on:

- 2007/8 network data, ignoring the connection of additional generating stations during the price control;
- GB SYS data available at the outset of the price control period (covering the 5 years);
- GB SYS data (as above) but earlier years’ data weighted to indicate reliability.

Rather than the above options outlined in the consultation, we see the crux of the consultation as being whether TNUoS zones or the zoning criteria [+/-£1/kW] should be fixed for the duration of the price control. Therefore we would like to additionally consider:

- TNUoS zones calculated on 2007/08 network data and revised (each year) with the addition of new capacity in that forthcoming year.

By retaining 21 zones it is likely that we would see some zones (at the extremes) having ranges of values well in excess of the +/-£1/kW zonal criteria. By using 30 zones we would see some zones having ranges of values well below of the +/-£1/kW zonal criteria. (As the generation is not yet built to justify the new zone).

We see that there are a number of eventualities depending on whether: the zones are calculated and fixed on the 2007/08, GB SYS data; or the zonal criteria is fixed.

1. New generation enters zone; zoning does not change and charge goes up; zone has range of nodal charges in excess of +/-£1/kW;
2. Generation decommissioned in the zone; zoning does not change and charge reduces; zone has range of nodal charges smaller than +/-£1/kW;
3. New zone created under zonal criteria +/- £1/kW, new zone has charge established old zone remains similar in charge;
4. Station sits on boundary of zone and is pushed by new station into another Zone as zonal criteria +/- £1/kW enforced –moves into more or less favourable zone;
5. New zone created on SYS data and set for price control, SYS data proves inaccurate and zone does not meet +/- £1/kW criteria or no generation exists in zone.

We believe that the eventualities [1], [2] and [5], which would be created by fixing the zones for the duration of the price control, are less acceptable than options [3] and [4], which would result in the zonal criteria being enforced.

Our first thought is that the GB SYS data should not be used to calculate TNUoS charges as power plant projects are effectively competing to be commissioned and not all will be built. Developers have had to accept connection offers from National Grid to get their project in the GB Queue rather than to fully certify that it is to be built. Also construction agreements can be varied, with connection date delayed at the behest of the developer.

Once discarding the GB SYS data, even if it is weighted, we must consider the second option outlined in the consultation, which is to set the zones on 2007/08 network data. This appears the most pragmatic solution, as it uses real data and should be reflective of the system at the time the zones are set, but will be inaccurate at the end of the price control. By using this method, it is likely that some zones will have additional generation added, which would otherwise have necessitated a new zone. This will result in the tariff of that zone increasing and the range of nodal values being in excess of the +/-£1/kW zonal criteria and would theoretically penalise an existing User in that zone, which is not ideal.

If fixing the zones on 2007/08 data or GB SYS data is unsatisfactory, consideration must be given to the possibility of changing the zones during the price control period. Although this is against National Grid's stated aim of making TNUoS tariffs "predictable and stable" we believe it may be the most suitable option, as this would allow changes to TNUoS charges that are always fair to the zoning criteria and to Users. By re-zoning each year [3], the creation of new zones and resultant charges will gradually change over time, rather than significantly at the end of the price control. Also, any new connectee will have to pay the charge related to the effect it has on the system.

We expect that the +/-£1/kW criteria will only be broken at the extremes of the system, such as in Northern Scotland, where in such cases new zones will be created. We would not want to see re-zoning each year radically altering the zones for the majority of Users and we hope that the TNUoS tariffs would remain fairly stable.



To summarise, the most suitable process for setting zones for the next price control is setting the zones on 2007/08 data, then subsequently allow new zones to be created each year, (if necessitated by enforcing the +/-£1/kW criteria). We believe that this should result in additional zones at the extremes of the system, (not significant changes to the majority of zones); such the zoning evolves from the 21 zones at 2007/08 to 24-26 in 2011/12, of the potential 30 zones that NGET believe may be required.

We hope that you will find these comments helpful.

If you have any queries please do not hesitate to contact me.

Yours sincerely,

David Scott
Analyst, Energy Market Strategy