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Dear Jamil,

GB Transmission Charging: Draft Methodology Statements

Thank you for the opportunity to comment on the draft GB Charging Methodology Statements. These comments are submitted on behalf of ScottishPower UK Division, which includes the UK energy businesses of ScottishPower, namely ScottishPower Energy Management Ltd, ScottishPower Generation Ltd and ScottishPower Energy Retail Ltd.

I hope that you find these comments useful. Should you have any queries on the points raised, please feel free to contact us.

Yours sincerely,

Mike Harrison

Commercial Manager, Trading Arrangements
ScottishPower Energy Management Limited

GB TRANSMISSION CHARGING:

DRAFT CHARGING METHODOLOGIES

SCOTTISHPOWER UK DIVISION COMMENTS

1 GENERAL COMMENTS

- 1.1 Both Methodology Statements are heavily based on the current E&W versions, both in terms of structure and drafting. While this may be reasonable given that the principles behind NGC's proposed GB methodologies are based on those currently applying in E&W, it needs to be brought out more clearly that these are first issues of new documents that are being introduced for BETTA, not simply a reissue of existing documents that have been in place for a number of years and to which all affected parties have already been subject.
- 1.2 To bring this out more clearly, and benefit new (in particular Scottish) users, we would suggest:
- explicitly linking the effective date to BETTA go-live;
 - including some discussion of (or cross references to) the Ofgem/DTI and NGC consultation processes leading up to the submission of the methodologies for approval; and
 - referring to the current E&W methodology statements for more detail on the prevailing E&W methodologies on which the GB proposals were based, and for the historical development of the E&W methodologies since 1992.
- 1.3 It will also be necessary to update some of the definitions to reflect the transmission arrangements for BETTA.
- 1.4 These and other comments are discussed in more detail below.

2 CONNECTION CHARGING METHODOLOGY

- 2.1 The statement needs to link the effective date of this methodology with BETTA Go-Live, and recognise that it is the first methodology applicable to the whole GB system rather than a reissue of the E&W one.
- 2.2 The statement needs to recognise that some connections will be in relation to existing Scottish connections which were previously under an agreement with the Scottish TO.
- 2.3 The statement needs to specify those parameters which are yet to be finalised, when they will be, and the manner of their calculation (e.g. the TRC). The connection charging examples need to indicate that they are using an illustrative value of TRC.
- 2.4 In the absence of a draft Statement of Use of System Charges we have been unable to see any detail of the (pancaked) application fee proposals.

- 2.5 The examples provide less transparency than in previous statements and use last year's data.
- 2.6 Various definitions need to be updated / added.
- 2.7 (Presentational issue) There are many un-numbered paragraphs; please number all the paragraphs in the final document.
- 2.8 Detailed drafting comments

P2 – insert text “is effective from [the BETTA Go-Live date of] 1 April 2005”

P5, para 2 – insert text “has effect from [the BETTA Go-Live date of] 1 April 2005”

P13, para 2.16 and 2.18 –The TRC factor is purely illustrative and will need to be confirmed as part of formal charge-setting process by end Jan 2005 (see p22 of August consultation) – however in the later examples it is implied that the illustrative value is the actual value, see later

P16 para 3.1 – why say “transmission licensee” rather than National Grid? Are there any provisions for users to make direct payments to TOs?

P19 para 4.12 – update the year to 05/06 in the example

P22 para 6.2 – is it appropriate to refer to things users have been able to do “since 1990” when that was in E&W and this is a new document for GB taking effect in 2005?

P25 para 8.1 – remove “current”

P26 para 9.1 – application fees refers to costs incurred by transmission licencees and points to Statement of Use of System Charges for details of fixed price fees, but that statement has not been issued so we have been unable to check its format. The methodology consultation proposed that fixed fees would vary by network, but the methodology statement provides no transparency as to how that will be implemented

P27 list of assumptions – need to refer to “Transmission Running Costs at a[n illustrative] rate of 1.70%”, to emphasise that the value given is not necessarily the actual rate for 05/06 and the rest of the current price control – same comment for p33

P28 – we note that the GAV data in table is as per 2004/05 statement, but the charges have been updated for a 1.70% TRC (rather than 1.48% previously)

P29-32 – examples in previous statements used a separate colour for new assets charged to infrastructure, and covered more examples. It may be worth including examples which involve both Scottish and E&W 132kV assets to emphasise the difference.

P34 – example 3 – but there will be changes if the connection boundary changes

P34 – please also include an example with capital contributions

P38 – “depreciation period” – should this be “agree with National Grid” rather than “agreed with the individual transmission licensee”?

P38 – “distribution voltage” – needs updating for BETTA

P39 – “embedded” – “Distribution System” is not defined

P39 – old definition of “National Grid Assets” (basically connection assets) has been lost rather than revised (it is now referred to as a “transmission licensee Asset”, but there is no definition of that term)

P39 – need definition of “BETTA Go-Live”?

P41 – “transmission voltage” – needs updating for GB

P41 – “Utilities Act 2000” – revert to previous definition (Electricity Act (as amended) etc.), similarly need definition of Energy Act 2004

3 USE OF SYSTEM CHARGING METHODOLOGY

3.1 The statement needs to link the effective date of this methodology with BETTA go-live, and recognise that it is the first methodology applicable to the whole GB system rather than a reissue of the E&W statement.

3.2 The statement does not implement the latest proposals to fix the security factor, expansion factors and zones for the duration of the price control.

3.3 The multi-voltage expansion factor provisions should not be included under scenario A.

3.4 The draft statement of use of system charges should be published to allow scrutiny of the mechanism for the small generators’ discount.

3.5 The over/under-recovery of the small generator discount is included in general TNUoS; we believe this should be carried forward only into demand charges.

3.6 (Presentational issue) There are many un-numbered paragraphs; please number all the paragraphs in the final document.

3.7 Detailed drafting comments:

P2 – insert text “is effective from [the BETTA Go-Live date of] 1 April 2005”

P5, para 1 – Electricity Act was also amended by the Sustainable Energy Act 2003

P5, para 2 – insert text “has effect from [the BETTA Go-Live date of] 1 April 2005”

P5, para 3 – capitalise Use of System Charging Methodology

P8, para 1.4 – need to reference the last E&W version of the methodology statement for all the changes since the introduction of ICRP in 1992. Need to refer to GB charging consultation process for development of GB methodologies based on the last E&W version

P9, para 1.7 – “The Transmission Licence requires National Grid to plan, develop and operate the transmission system to specified standards” – needs updating for BETTA transmission arrangements

P9 para 2.3 – it is not necessary to mention multi-voltage ratios of circuit costs in scenario A (We note that the model does provide for it, but it also provides for spare capacity which has been removed from this list). Same for p11, para 2.8

P11, para 2.9 – the statement that the reference node is Pelham has been removed

P12, para 2.13 – the provisions regarding rezoning are very weak and do not provide any comfort that the zones won't be reviewed on a whim. Indeed, it is even less firm on the need for stable zones than the current methodology statement, whereas the consultation promised that it would only allow for limited rezoning in exceptional circumstances.

P13, para 2.17 – when stating the criteria used to determine the definition of generation zones, it should be made clear that while generally you don't review the zones, these are the criteria that are followed on those rare occasions when the zones are reviewed. Current wording implies that as soon as you break these criteria the zones must be reviewed, rather than when you review the zones you must use these criteria.

P14 para 2.23-2.24 – discussion of multi-voltage expansion factors makes no sense under scenario A

P14, para 2.23 – no mention of expansion factors being fixed within a price control

P14, para 2.25 – description of SECULF studies makes no reference to different planning standards and contingencies over Scottish networks

P14, para 2.27 – gives security factor for 05/06 without mentioning that it would be fixed within the price control

P15, para 2.31 – for scenario A, use of 27:73 G:D split needs to be related back to previous E&W methodology

P16, para 2.33 – is it still special condition AA5A?

P16, para 2.33 – this puts over/under recovery from small generators' discount into general TNUoS rather than targeting to demand – was the intention of LC13 not that it stayed between demand and small generators?

P18 para 2.40 – refers to “National Grid connection points”, should be “connection points to the GB network”

P18, para 2.43 – refers to statement of use of system charges for more information on operation of small generators discount, but that has not been issued

P18, para 2.43 – “subject to [generation] TNUoS”

P22, para 4.8 – this states that small generators’ over/under recovery is charged to demand, which contradicts para 2.33 above

P24, reconciliation section - should there be an extra section relating to E&W reconciliation for 04/05?

P27, para 5.10 – please include examples where one of the periods exceeding TEC was covered by STTEC, and where the station is in a positive or negative zone

P28, para 5.13 – designated sum should be a defined term

P28, para 5.16 – see above re reconciliation

P29, para 6.1 – need to clarify that this requirement is waived for Scottish generators for 05/06 tariffs, as they will use interim GB SYS (based on data provided by TOs) as stopgap

P31, para 7.1 – again refers to statement of use of system charges for more detail, but that has not been issued

P31 para 7.3 – exactly what goes into the application fees? This suggests it includes works which are now in infrastructure under Plugs - should application fees not be reduced under Plugs?

P47, generation charges flowchart – needs to include small generators’ discount

P48, NGC demand forecast methodology – how does this work if the user is in Scotland?

3.8 We have not scrutinised the definitions.