



Background

- This presentation is not made on behalf of E.ON, but represents opinions arising from wider industry discussion
- CAP164 Original and Alternative proposals have been developed over a period of 8 months since April 2008
- CAP164 Alternative represented a negotiated compromise between parties – unanimously supported by the 15 members of workgroup for CAP164
- Subsequent charging work from National Grid requested by Ofgem has shown CAP164 Alt costs could be prohibitive if fully targeted
- The charging for CAP164 has not been finalised
- What should the approach be?

Dispelling an apparent misconception

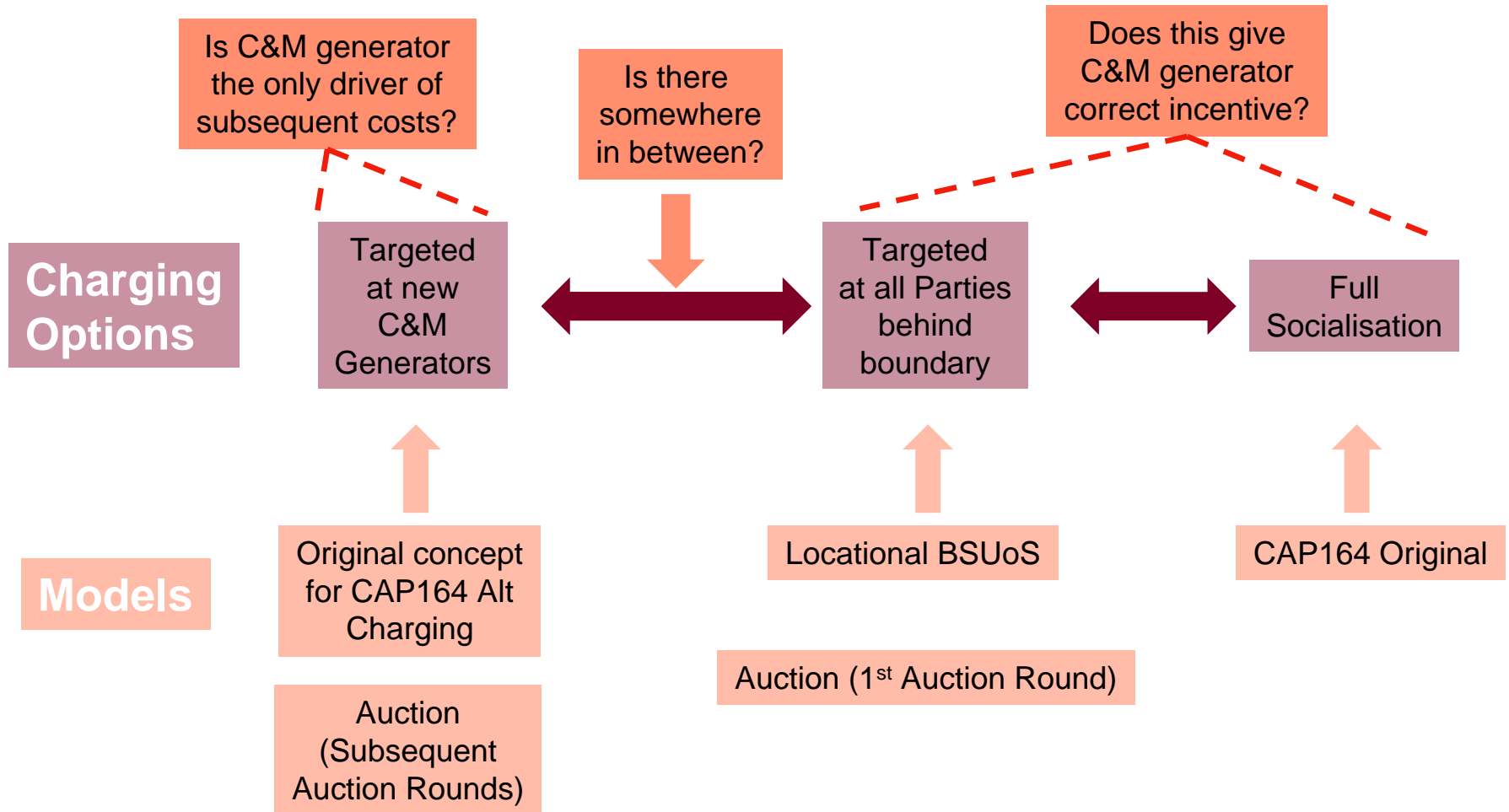
- The industry is not filibustering change
- It has actively developed a model, Connect and Manage, which has widespread support
- It has been devised not by vested interests, but by participants sharing a common need to facilitate new investment

- National Grid's numbers for Connect and Manage Alt show a review of the charging approach is required
- Informal discussions with National Grid
- Teleconference of AEP's Energy Networks Committee – 22 May
- Included 12 participants from across User community who all agreed with principle of Connect and Manage, but...
..... The key issue to agree is charging

What should a cost reflective C&M charge aim to do?

- Connect & Manage basically means connecting ahead of wider network reinforcement
- When a generator decides to connect in such a manner additional balancing costs may be incurred
- The aim of Connect and Manage Alternative is to target the costs at the C&M generator in a cost reflective manner
- How is it best to target these costs?

How amendments map on to different charging options



Some suggested ideas from parties

Percentage of expected costs paid by C&M generator with locational BSUoS to all parties

C&M generator pays "reasonable" constraint costs perhaps based on fuel prices

C&M generator pays TNUoS and all parties exposed to locational BSUoS

....Anything else?

Suggested way forward

- Convene charging workgroup to discuss options
- Priority should be for a pre-consultation document to stimulate wider involvement early
- We need to bear in mind....

.....CAP164 Alt requires a £/MWh charge for the C&M generator set ex ante (it is in the legal text)