



Stuart Cook
Senior Partner
Smarter Grids and Governance
Ofgem
9 Millbank
London
SW1P 3GE
17 November 2010

Dear Stuart

Re: Project Transmit: A Call for Evidence

We welcome the regulator's review of transmission charging and associated connection arrangements as there are many important issues to be aired and resolved.

Given the levels of investment required across the sector over the coming decades due weight should be assigned to the review to ensure that outcomes facilitate the meeting of low-carbon aims, but due weight should also be placed on increasing transparency and stability of charges so that all market participants can better understand transmission charges and possible changes.

Specifically many independent suppliers currently find it particularly burdensome to account for alterations to transmission charges in contracts and tariffs. Recent governance changes will allow many parties to propose changes to charging and connection methodologies and within year updates to charges are already allowable, with the consequence being that regulated charges are prone to volatility and uncertainty. As consumers are increasingly seeking from suppliers contracts or tariffs that typically last between 1 and 3 years, this uncertainty introduces considerable risk for suppliers (reputational and commercial), and should be viewed in the light of similar concerns recently expressed by many smaller players with regard to distribution charges. In this context we think the review should also consider the governance of charges and the need to ensure orderly process and prioritisation of change.

Terms of reference of the review should include a principle to ensure that charging arrangements are constructed in such a way as to deliver transparency, predictability and stability. Investors in new generation capacity will seek this, but as it is suppliers that have the relationship with those that ultimately bears the costs this principle will ensure that the necessary costs can be passed through efficiently. Regular six-monthly changes to use of system charges is wholly out of kilter with the timeframes over which infrastructure investments are made (decades), price control periods (now 8 years) and suppliers pricing horizons (around 3

Heath Farm Cottage
Paston, North Walsham
Norfolk, NR28 0SQ

T: +44 (0)1692-407887
F: +44 (0)870 706 3003
e-mail: info@cornwallenergy.com
www.cornwallenergy.com

years). It is counter-intuitive that the regulated element of the bill is one of the most volatile, and many risks ultimately are passed through to parties not directly subject to price control regulation.

We would also seek clarity on how the review will account for ongoing charging developments, such as the development of different generation tariffs for different technologies (GB ECM25), and whether greater consistency between the electricity transport charging regime (capacity-based) and the gas transport regime (commodity-based) will be a major focus of the review.

Once terms of reference for the review become clearer we will submit a fuller response, but in the meantime hope you find these points useful.

A handwritten signature in blue ink that reads "Nigel Cornwall". Below the signature is a long, thin arrow pointing to the right.

Nigel Cornwall