

Fair Fields, Newton Port
Haddington EH41 3LZ
17th November 2010

Project TRANSMIT
Ofgem

Dear Sirs

Reference Number 119/10

I am pleased that this consultation is taking place.

I attach a note of comment about transmission charging, written for a meeting held in Glasgow in January of this year, but still I think germane to this consultation.

I am now of the view that the Transmission Network Use of System (TNUoS) Charges should **not** be almost entirely based on a minimising model which has as its core a proxy for the minimisation of losses on the transmission grid. These losses are important; it is important that they be kept at a low level; but they are a small part of the costs of running the grid. The criterion is not adequate as a basis for such a major component of charge on generators.

It leads to the absurd result that there are areas of the country where the TNUoS charges are negative. Generators in these areas incur costs on the grid and should pay them. Local circuit expansion factors and local security factors are calculated in areas where TNUoS charges are negative but then in effect applied to the other areas where TNUoS factors are positive. It is not logically justifiable to transfer these costs to generators elsewhere.

As for a component of cost to encourage more generation in areas where demand greatly exceeds generating capacity, that should remain as a separate component of the TNUoS charge, but at a level which is commensurate with the size of transmission losses as part of system costs.

I am also of the view that the use of flows at times of peak ACS demand is in error. These are the times when the entire system is fully stretched; and it must be able to function safely at these times, but flows on the system – by definition – are not typical at these time nor losses. Losses on the system occur throughout the year, and if losses are to be minimised, then a much more secure estimate of losses, perhaps still obtained in terms of Kwm needs to be made. A number of representative scenarios need to be examined and the actions of grid controllers in keeping the grid in balance need to be embedded in the analysis. This may be much more difficult to do – perhaps it can't be embodied in a minimising model – but it would give flesh and substance to a model which is attractive, highly developed, but too far from the complex realities at the moment to be worthy of trust.

The other point I would make is that UK government in the last few years has begun to more proactive. It has not aimed at minimising transmission losses but has sought to find sites for offshore wind generation and licensed sites, all in relatively shallow water, no doubt taking nearness to land and to areas of demand into account, where wind turbines have begun to go up; and more recently has specified sites for a new generation of nuclear power stations. These active interventions are to wrench the electricity system towards meeting the requirements of the future as the government sees them. Minimising losses on the grid are taken into account only in the broadest terms. In these cases the zonal charges which National Grid imposes should be dispensed with and only charges based on costs actually incurred in the associated grid developments should be applied.

Norman Lawrie