

## **DTI/Ofgem BETTA Consultation: Transmission Charging and the GB Wholesale Electricity Market – Part I**

Introduction The Association of Electricity Producers (AEP) welcomes the opportunity to comment on the development of transmission charging within Great Britain (GB).

### General Comments

So far this consultation does not go much beyond an expression of high level principles and a timetable. This is useful in itself, but the Association has to reserve its position until there is more substance to the proposals. The absence of the smaller generator consultation makes even consideration of basic concepts, impossible. It would have been better to hold this consultation and publish the two simultaneously. Noting that November/December is intended to see Ofgem's consultation on licence changes and the start of the NGC process to develop transmission charging principles, we trust the smaller generator consultation will be available well before then.

The separation of parts I & II of this consultation places in sharp relief the tension between the governmental policy goals with regard to renewable energy and the likely outcome of a simple extension of the current E&W charging model to the place where much of that renewable energy would be located. However that tension is resolved, it is imperative for the development of generation generally within GB that both regulator and government are clearly seen to be commonly aligned. Otherwise the risk of continual regulatory intervention will undermine the clarity of investment signals that are doubtless intended.

The Association believes that the current transmission charging governance arrangements give inadequate voice to users of the transmission system. The separation of transmission asset ownership and operation reinforces the need for reform of the governance arrangements so as to allow the more active participation by all interested parties in the development of the charging arrangements.

### Detailed Comments

| Para No. | Issue                 | Comments  |
|----------|-----------------------|---|
| 4        | Current E&W Charging  | Over the course of 2003 NGC have developed a substantial number of changes to the charging methodology. The Association's comments below rest on the assumption that all of the proposals currently being consulted on will be implemented from April 2004. (This is not a statement of support for any or all of these proposals, merely a working assumption). In the event that some or all of these proposals are either not presented to Ofgem, or vetoed by Ofgem, then the whole basis for development of GB-wide charging arrangements will need substantial re-evaluation. |
| 5.2      | High Level Principles | The high level principles all seem reasonable. We remain concerned about the resolution of the tension with HMG policy objectives   |
| 5.4      | SO Interface          | We have concerns about how the GBSO as the single point of money collection will work. We await more detailed proposals concerning cash flow management and management of risks such as counterparty risk.<br><br>Also, the Association continues to believe that users of the transmission system need representation on the governing   |

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|      |                                  | body of the SoTo Code.   |
| 5.6  | Regulatory Oversight             | This para appears to suggest regulatory oversight is inadequate to ensure determination of charges is made in a non-discriminatory way. We remain concerned regarding the ability of the regulator to adequately police the GBSO, given the huge informational asymmetry between the 'sole' SO in GB and the regulator           |
|      |                                  | The arguments adduced in favour of the necessity for the role of the GB SO are poor. The second argument appears to be saying that consistent charging across GB is consistent across GB, not anything about the role of the GBSO.   |
| 5.7  | Initial Approval                 | We note Ofgem's intentions regarding approval of the initial set of charging methodologies, but repeat our concern that unless there is signalled confluence of intention of the regulator and government in the structure of the initial charges, there is a risk of continual regulatory/governmental intervention thereafter. |
| 5.12 | Further Consultations?           | We do not understand the reference to a further consultation. Is this a reference to Ofgem remaining committed to an auction approach to transmission access?  |
| 5.17 | Refinements                      | We agree that these two areas are necessary additional refinements to ensure non-discriminatory charging.  |
| 6.5  | Licence Conditions               | As mentioned above we remain concerned about the lack of the smaller generators' consultation. It would be totally unacceptable for the consultation on licence conditions to be begun, until the smaller generators' consultation had been available for a reasonable period of consideration.                                  |
| 6.8  | New Charges Consultation period. | We support a longer time for development and consultation, not least because the details of the intended status for 132 kV in Scotland are not yet known. We note that running parallel to this process the various implementation documents for the EC electricity directive will be being developed and implemented.           |
| 6.15 | Smaller Generators               | This is likely to encapsulate some of the thorniest issues in BETTA and should be given an extended period of consultation.  |