



taking care of the essentials

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Our Ref. Transmission Charging
Your Ref.
3 October 2003

Dear Mr Haldearn,

Centrica welcomes the opportunity to provide comments to Ofgem and the DTI on their consultations on changes to the transmission licences to implement GB transmission charging under BETTA, and, in the context of the Government's policy objectives for growth in renewables.

We believe that it is almost impossible to make an informed judgement on anything but the high level principles, as very little information has currently been released. We understand that this is due to the stage that the process is current at, but wish to voice our concerns at this stage. In addition, it is very difficult to know or forecast the likely impact of Scotland on the current or proposed charging methodologies, this is concerning both the impact to Scottish transmission users, and, the impact of Scotland on England & Wales parties. We would welcome the investigation and publication of further detailed information as soon as is practically possible.

Part 1 : Transmission Charging and the GB Wholesale Electricity Market

As we have recently commented in a previous response, we believe that the functions of the TOs and the GBSO should be separately licenced. We do not support the introduction of a combined licence with a section for the combined SO/TO. We support the view that the GBSO should be the only licenced party that publishes the charging methodologies and recovers the costs for the GB Transmission system. We suggest that appointing the SO to this role presents the most efficient way forward and is the only way in which absolute consistency can be achieved.

We agree that supplementary Standard Conditions C7, C7A, C7B, C7C, C7D and C7E should form the basis of the regulation of the GBSO in this respect. However, we also have concerns over the issue of discrimination between the GBSO and the non-affiliated TOs and agree that this should be addressed in an additional Standard Condition.

We suggest that other interested parties should be able to put forward areas of review to the GBSO, which would then either have to be undertaken or justification to the Authority should be given as to why the GBSO believes a review in this area is unnecessary.

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Additionally, we have concerns over the division of the SO and TO revenues and the detail of the associated TO price controls and SO incentives scheme. It is paramount that no perverse incentives are created under the relevant price controls and incentives that would result in NGT (as the combined SO/TO) acting in a specific manner that would be to the detriment of customers and/or the system as a whole.

We have fundamental concerns that the charging methodologies are currently undergoing significant change. This will result in a relatively untested and unproved England and Wales methodology going forward to be adopted as the basis for the charging arrangements for GB.

We are further concerned over the relatively large impact that any changes to the charging methodology, and, the extension of the methodology to GB will have on transmission users. This also includes the associated impact on DUoS charges. Furthermore, we suggest that an Authority decision in October 2004 will be too late for both the industry in its commercial decisions, and, the publication of indicative DUoS prices by the DNOs.

As we have previously suggested, we believe that the GBSO and Ofgem should take this opportunity to have a full review of the charging methodologies. We believe that this review should additionally include the continuation of negative charging zones, the effect of licence exempt renewable generation on the charges (as well as the effect on the transmission system) and the continuing use of the TRIAD as a charging basis.

We believe that it is appropriate that all users of the GB transmission system are subject to cost reflective GB charges.

Part 2 : A DTI Consultation on transmission charging, in the context of the Government's policy objectives for growth in renewables

We believe that cost reflective locational pricing should prevail and therefore do not support the DTI's proposal of introducing a discount for transmission charges to peripheral renewables. Any discount will obviously result in higher charges to the rest of the industry and as such is a cross subsidy. We believe that it is essential that a level playing field is maintained in this area.

I hope these comments have been of use and please contact me if you require any further clarification.

Yours sincerely,

Sarah Owen
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