

Response to Transmission charging and the GB Wholesale Electricity Market
- Part I

The Confederation of UK Coal Producers (COALPRO) represents Member companies who produce some 90% of UK coal output. The great majority of that production is sold to the electricity generating industry. COALPRO therefore takes a close interest in all matters affecting that industry and is particularly concerned that all monopoly charges borne by generators are consistent, transparent and non-discriminatory in nature.

COALPRO agrees with OFGEM/DTI's proposal that the model for the GB system operator's transmission charges should be based on NGC's existing obligations and that the GB system operator should be the only transmission licensee obliged to develop charging methodologies. This model is the most likely to ensure charges that are consistent, transparent and non-discriminatory. COALPRO is not competent to comment on the interactions between the GB system operator and non-affiliated transmission owners.

COALPRO also agrees with the suggested process and timetable for the initial GB system operator to develop and consult on its proposed charging methodologies and agrees that sub-regional recovery of costs should be avoided. Similarly, the broad principles currently adopted should continue to be applicable in a GB context.

However, COALPRO fundamentally opposes any changes to these principles in respect of renewable generators (Part 2 of the consultation document refers) and is responding separately on this issue.

Yours faithfully

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Response to Transmission charging and the GB Wholesale Electricity Market
– Part II

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COALPRO cannot accept that any of the options set out by DTI in Part II of the consultation document are consistent, transparent and non-discriminatory. COALPRO believes that any such proposal would be in conflict with Ofgem's principal objective. Furthermore, such a proposal would be in conflict with at least two of the four goals set out in the energy policy White Paper.

Whilst discriminatory proposals of the nature proposed might assist some renewable generators, it would discriminate against others and would not necessarily, therefore, assist in reducing carbon dioxide emissions. Secondly, such discriminating proposals are, by definition, anti-competitive. Third, there is at least a risk that the higher charges borne by other generators would ultimately increase charges to customers (without necessarily being offset by lower charges from favoured generators) and thus be in conflict with the government's objectives of reducing fuel poverty.

It is clear that the costs associated with connecting an increased amount of renewable generation, particularly in peripheral areas, to the distribution and transmission systems could be very significant. If DTI wishes to provide additional assistance to such generation, it should be done so directly and transparently (the additional burden falling on the taxpayer) rather than being smeared across other users (generators and customers) of the transmission system.

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