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Office of Gas and Electricity Markets (Ofgem)
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15 January, 2004

Dear David,

Small Generator Issues under BETTA

Powergen agrees with many of the proposals outlined in the above consultation paper. However, we have some concerns regarding the proposals for the treatment of security and residual element of generation transmission charges and the requirement to provide mandatory services.

Definition of transmission

We continue to believe that the definition of transmission should reflect the usage to which assets are put and not necessarily the voltage at which those assets are energised. We therefore agree with the proposals in the consultation paper that those assets which are presently defined as transmission should continue to be regarded as such under BETTA.

Charging and 132kV transmission-connected generation

We agree with the conclusions that it would be inappropriate to exempt small 132kV connected generators from paying transmission related charges or to treat them as if they were distribution connected. We also agree that all generators connected to the transmission system should be subject to transmission related charges.

However, we do not feel that the interim proposal to exempt small transmission connected generators from paying the security and residual element of TNUoS charges would be equitable. It is not clear why a generator's liability to pay this charge differs with its size. A generator which is connected to the

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distribution system would indeed be subject to a different cost structure to that which is connected to the transmission system. Provided that charges are suitably cost reflective then this is right and proper. Such a proposal as detailed above would discriminate against certain classes of transmission connected plant on the basis of size alone. This cannot be justified, even for the purposes of meeting renewables targets, as small fossil fired plant would benefit in the same manner.

The CUSC, BSC and Small Generators

We agree that the appropriate provisions of the CUSC and BSC should apply to all transmission connected generators. We also agree that it may not be necessary for small generators to fulfil their obligations under these codes directly. If an existing participant is willing to do so, in the capacity of an agent under suitable commercial terms, then this should be allowed.

Additionally, we agree that small transmission connected generators should be subject to BSC trading charges. Such charges are levied proportionate to output and as with TNUoS charges, we do not see a justification for why the requirement to pay them should differ in relation to the size of the generator.

The Grid Code and Mandatory Services

We would agree with the view that the current provisions for the provision of data in England and Wales under the Grid Code should be sufficient for BETTA.

However, we do not agree with the proposals in the paper regarding the initial arrangements for the provision of mandatory services. We feel that one of the potential benefits of BETTA would be to align the requirements for mandatory services in England, Wales and Scotland. To continue with the more onerous requirements in Scotland under BETTA would be to discriminate against generators under 50MW connected in Scotland. The requirement for provision of mandatory services should be linked to the size at which the cost of the associated control equipment etc becomes economically justified. This clearly does not differ with location through the country. Therefore the threshold of 50MW which is considered sufficient for England and Wales should also be used in Scotland.

I hope the above proves helpful. Should you wish to discuss these issues further please call me on 024 7642 4829.

Yours sincerely,

Paul Jones
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