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David Haldearn
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Office of Gas and Electricity Markets (Ofgem)
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6 August 2004

Dear David,

**Initial allocation of GB transmission system access rights under BETTA:
Consultation (July 2004)**

Thank you for the opportunity to respond to your consultation on the draft text of the licence condition by which access rights will be allocated in the transition to the implementation of the British Electricity Trading and Transmission Arrangements (BETTA).

Immingham CHP notes that this consultation has been undertaken within very short timescales. As with our previous responses to National Grid Transco (NGT)'s consultations on the allocation of GB access rights, we must express a degree of disappointment about these timescales, given the potential for complexity in the transitional arrangements, and the significant commercial impacts for grid users that may arise.

Immingham CHP has given due consideration to the proposed arrangements for the transitional access rights regime to apply to existing users, and the associated draft licence condition to apply to the GB system operator. We have the following general comments:

- We agree that the use of auctions for the allocation of rights is complex, resource-intensive, and probably unworkable given the short timescales involved in the transition to BETTA go-live on 1 April 2005. We have made similar points in our responses to NGT's previous consultations and those still apply.

- We also agree that insufficient time and resource is available in the transitional period to develop a robust and workable regime for non-firm access. The non-firm product has not been considered in detail and we support NGC's view that the 'design considerations of such product are not trivial'.
- We are inclined to support Ofgem/DTI's proposal that, for the transitional period, firm access rights be made available to all users who are already connected to, or have accepted an offer of connection but are not yet connected to, or have submitted an application to connect to, the transmission system before 1 January 2005. As this allocation is intended to be consistent with an assessment of the GB transmission infrastructure on which enduring rights would be allocated, there should also be a seamless transition from the pre-BETTA go-live to post-BETTA go-live access rights regime. We believe that this approach represents a pragmatic solution to the allocation of access rights in the transitional period.
- However, while the proposal represents a pragmatic approach, and we agree that the lack of disruption to existing rights should help to maintain commercial certainty for existing users, we are still no clearer about the level of constraint costs which will arise under the proposal. There is no indication in the consultation document about the effect on constraint costs of adopting a cut-off date of 1 January 2005 for connection offers and applications for connections. NGT's recent technical review maintained the view that "significant increased constraint costs" could arise regarding new generation, built and connected around the Scotland-England interconnector. There were some high-level indications of the magnitude of those costs, that these would indeed be significant but they now need to be quantified much more specifically. We continue to express our concerns about the impact of these costs on BSUoS and, in turn, on the end customer.
- We agree that the draft text of the licence condition is fit for purpose given Ofgem/DTI's proposed approach.

Please do not hesitate to contact me on 020 7408 6233 if you have any questions regarding this submission or require further comments.

Yours sincerely,



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