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6 August, 2004

Dear David,

The initial allocation of GB transmission system access rights under BETTA

I am responding to the above consultation document on behalf of E.ON UK. We are concerned that the proposals for transitional transmission access rights allocation arrangements outlined in the document will result in the connection of a significant amount of plant to inappropriate parts of the network, which will lead to a considerable increase in the cost of investing in and balancing the UK transmission system.

The present system for allocating transmission access rights which operates in England & Wales has two main characteristics.

- Generators are allocated transmission access rights which are, largely, financially firm. Therefore, if those rights are denied due to a constraint on the system, meaning that a generator is unable to generate at the level it wishes, then it is effectively recompensed through the acceptance of a bid in the balancing mechanism. This allows the user to buy the additional power it needs to meet its contractual commitments without it being financially disadvantaged as a result of its rights to use the transmission system being denied.
- Users are discouraged from locating in inappropriate areas, or encouraged to locate in appropriate areas, through cost reflective, locational transmission charges. This helps to

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ensure that rights are not over allocated in a manner which would lead to the creation of new constraints or the exacerbation of existing constraints. If a user still wishes to locate on part of the system which would lead to subsequent reinforcement work being necessary, then it may be required to delay its connection until the relevant investment is undertaken.

Therefore, firm access rights are provided within a mechanism which ensures that they are not over allocated to the detriment of the system. The transitional arrangements proposed in the above document go against these principles by allocating firm access rights whilst ignoring the main effects this will have on the system. Rights will therefore be allocated in the knowledge that a significant amount of them cannot be delivered. A large proportion of these will have been provided in respect of connections to the network in Scotland. Additionally, the individual proposals by Ofgem, DTI and NGC to dilute the locational signals for much of the plant wishing to connect to the transmission system in Scotland will each act to further undermine these principles.

NGC has forecast that the allocation of rights in this way will lead to a significant increase in constraints which will cause balancing costs for all users to rise appreciably, as compensation is paid for the removal of firm rights that were never able to be provided. The main constraint is likely to be caused by the limited capacity of the circuits which presently make up the England to Scotland Interconnector compared with the surplus of generation which exists in Scotland, and which is set to increase significantly. It is therefore particularly inappropriate that reinforcement required on these circuits will be ignored in respect of all offers being considered under the transitional arrangements.

We continue to believe that rights should be subject to a one off rationing exercise for BETTA to ensure that rights are not over allocated and to avoid a large increase in balancing costs. In our response to NGC's paper of 21 May, we outlined how this could be done through a simple auctioning arrangement. Alternatively, we proposed that separate BSUoS charges could be devised for generators connected to the system in Scotland and in England & Wales respectively. We still consider that either of these options could be implemented in time for the beginning of BETTA.

Yours sincerely

Paul Jones
Trading Arrangements