

National Grid Electricity Transmission
National Grid House
Warwick Business Park
Gallows Hill Road
Warwick
CV34 6DA

Mark Copley
Transmission Policy Manager
Ofgem
9 Millbank
SW1P 3GE

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Dear Mark,

Re: Response to ARODG Final Working Group Report

National Grid welcomes the opportunity to comment on the ARODG report and to outline its preferences in relation to the universality of options presented within the document. We have taken an active role within ARODG to frame and structure the nature of the issues, and to this extent, it has been an useful exercise in formulating possible solutions with key industry participants and stakeholders.

The present transmission access arrangements have been in place since vesting and have worked well over this period delivering significant levels of new capacity. Any access regime would come under pressure with the volume of new connection applications that have arisen since the commencement of the Renewables Obligation and the BETTA reforms. However, National Grid is mindful that the GB Queue presents a new challenge, the scale of which may require fundamental review of the arrangements that have hitherto served the industry well.

Whilst the ARODG report helpfully divides transmission access into three “building blocks”, National Grid has always maintained that any solution should be a consistent package, and that changes in one area would have ramifications for the other building blocks. For this reason, we have concerns about the “mix and match” approach to the options outlined at the end of the report. We believe that analysis of a suitable package of options would have been better served with reference to a hierarchy of principles or policy objectives. Indeed, should Ofgem choose to use similar “Development Groups” to examine other significant industry issues, such as enduring arrangements for distributed generation, National Grid believes that it would be helpful for Ofgem to narrow the universality of options in its conclusion documents. The purpose of the Development Groups should be to identify and then focus on those options that best meet the relevant objectives, without necessarily defining detailed arrangements which should rightfully remain the responsibility of industry participants.

In relation to the specific options outlined in the report National Grid would note the following:

Security

National Grid will shortly be bringing forward proposals to amend the current final sums methodology following discussions within ARODG, and also as a result of feedback to our own recent consultation in this area – “Managing Access to the GB Transmission System, April 2006”. The proposals will address both the level of final sums and their volatility, which based on consultation responses appear to be the main bones of contention. To use the ARODG report wording, we anticipate that the new final sums methodology will be of a date stamped and fixed sum nature. Subject to agreement from Ofgem that stranded costs can be passed through to consumers, industry participants will be able to move to an interim arrangement voluntarily before the complete solution becomes enshrined through the relevant industry codes following a suitable framework change. National Grid continues to work up its proposals and intends to present the new methodology to industry at the end of June/ beginning of July 2006.

Restricted Rights

As analysis presented to ARODG showed, National Grid is of the opinion that additional transmission access products are unlikely to yield additional firm access rights without increasing the volume of transmission constraints. The significant levels of generation seeking to connect to the transmission system over the coming years coupled with the post-BETTA transitional arrangements mean that firm rights in excess of physical capability of the network have already been allocated. In this area therefore, National Grid believes reallocating capacity would be a better alternative. The ARODG report presents the view that implementing a capacity trading regime would be unduly complex and expensive. National Grid believes that it may be possible to develop simplified proposals that do not necessarily incur the complexity and costs described.

Unrestricted Access

National Grid believes that in the current environment, it may no longer be appropriate for existing generators to retain first refusal over transmission capacity indefinitely. The degree of stranding risk is dependent on the behaviour of existing as well as new generators and it would seem appropriate therefore to promote a regime in which existing users are required to provide a longer user commitment. National Grid, in tandem with revised final sums arrangements, is working up proposals to arrive at a regime in which there is more symmetry in the commitment provided by new entrants and existing generators in the allocation of transmission capacity. In terms of the nomenclature used in the ARODG report, it is envisaged that a future regime might be consistent with “Consent Plus K” rights and “All Users Commit” obligations. These proposals will be outlined as a package together

with the new final sums methodology and progressed through the relevant commercial framework channels in the coming months.

Finally National Grid would like to note that the implementation issues may not have been fully reflected in the report. For example, the interactions between GBSO and TOs, and STC/ CUSC changes. Additionally, whilst there are areas in which some changes could be brought forward relatively quickly, even small changes would require code changes.

Yours sincerely

Hedd Roberts
Electricity Charging and Access Development Manager