

Patrick Smart
Electricity Transmission Policy
Ofgem
9 Millbank
London
SW1P 3GE

10th May 2005

Dear Patrick,

Recovering the costs of compensation for temporary physical disconnection CAP048

Thank you for the opportunity to comment on the above consultation which raises a number of important issues in relation to the funding of temporary physical disconnections from the grid. This consultation could be regarded as being somewhat overdue given that CAP048 was implemented on 1st April 2004.

As a general observation we strongly support the concept of compensation for generators in the event of temporary physical disconnection from the transmission system. While CAP048 does not allow full cost recovery it is nonetheless an improvement compared to the original baseline.

Key points:

- **Costs associated with compensation for BSC energy imbalance following temporary physical disconnection from the grid should be recovered through BSUoS.**
- **Costs associated with compensation for access failure, for whatever reasons, should be recovered via TNUoS charges.**
- **The allocation of responsibility for access failure between the SO and TO's needs to be defined and appropriate incentives put in place possibly under the STC.**
- **The forecast of compensation costs in Scotland seem high given the less firm nature of connection agreements. Ofgem should scrutinise these estimates to ensure they are justified and provide further commentary on this matter as part of the statutory licence consultation.**

In dealing with the issue of compensation for physical disconnection and specifically options for cost recovery it is worth noting that this compensation comprises of two components. Firstly to cover for the BSC energy imbalance and physical or contractual rebalance by the

British Energy Group plc Barnett Way Barnwood Gloucester GL4 3RS
Telephone 01452 652222 Facsimile 01452 653715

Registered Office: Systems House, Alba Campus, Livingston EH54 7EG
Registered in Scotland 270184 VAT Number 671 0076 58

affected generator/party. These payments to generators are seen by NGC as costs much like constraint amounts and therefore sensibly belong in BSUoS.

The second component relates to compensation for access failure, which results in the return of TNUoS for the 'non-delivery' and as such does not belong within BSUoS but should be recovered via TNUoS adjustments. The allocation of responsibility for disconnection's between the SO and TO's needs to be defined and appropriate incentives and SO-TO cost allocation established. The STC might be the sensible place for this with the SO administering the interface with users.

The estimated level of future compensation payments under CAP048 seems rather high particularly in Scotland as we understand that a number of existing Scottish generators have connection agreements which are significantly less firm than would be the case in England and Wales. We would therefore like to see a more detailed breakdown and justification of these costs. If considerations of commercial confidentiality prevent such publication then Ofgem should at the very least carefully scrutinise these costs to ensure they can be justified and provide further commentary on the issue in their explanatory note which will accompany the statutory licence consultation.

I trust you will find these comments helpful. Should you wish to discuss any aspect of this response then please contact me at the office on 01452 654182 or my mobile (07774 767722).

Yours sincerely

A handwritten signature in black ink, appearing to read 'J. R. Cunniff', with a stylized flourish at the end.

Head of Transmission and Trading Arrangements