

Grant McEachran
Head of Transmission Charging
Ofgem
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26th January 2007

Dear Grant

British Energy response to the impact assessment on charging arrangements associated with SQSS design variations based on customer requests Ref: 215/06

This response is on behalf of British Energy Generation Limited, Eggborough Power Limited and BE Power & Energy Trading Limited.

Key Points:

- **BE supports the general principal of generators or demand customers being able to choose a standard of connection higher or lower than that required by the GB Security and Quality of Supply Standard subject to certain specified safeguards.**
- **BE agrees that where a generator is able to choose a standard of connection lower than required by the GB SQSS then a discount should be available on TNUoS charges to partly reflect the infrastructure cost savings made.**
- **BE believes that the very narrow consideration of generator ‘spur’ type connections in these proposals do not reflect the range of connections that could be requested or those currently in place and as such is discriminatory.**
- **BE considers that the substation element of the discount should be available in its own right if a user chooses to connect directly a transmission substation with a reduced GB SQSS connection infrastructure.**
- **BE supports the retrospective application of the discount to GB SQSS design variations to Users that have Transmission Related Agreements as part of their bilateral connection agreements.**
- **BE considers that there may be an inherent perverse incentive in the existing proposals for Users to locate at least 2km from the transmission network to have the option of reduced TNUoS charges, avoiding installing Customer owned assets or avoiding Connection Charges in the process.**

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Detailed Comments:

We support the principal of the modification proposal to allow Users to choose a lower standard than a GB SQSS connection and receive a partially cost reflective discount, however, we believe the current format is flawed.

Comments on the specific impact assessment questions

CHAPTER 3: Key impacts in relation to relevant objectives

Question 1: Do respondents have any views on the appropriateness and size of the discounts described?

We feel that there is a lack of information on the costs of constructing and operating offshore generation connected via sea-bed cables and therefore we are unable to judge whether the proposed discounts are of an appropriate magnitude in relation to new connections.

We suggest a review of the arrangements after a period of operation to assess whether they are cost reflective. One potential test of cost reflectivity would be if the discount is sufficient to cover the cost of building the second circuit.

The substation discounts available for different voltage levels are a little surprising since the lower voltages have significantly greater discount. As well as the increased cost of Supergrid voltage primary plant it would be expected that the protection and control requirements would be more sophisticated and expensive at higher voltage levels. Civil structures associated with primary plant at higher voltages are also likely to be more costly.

Question 2: Do respondents wish to present any additional analysis that they consider would be relevant to assessing the proposal?

None carried out.

Question 3: Do respondents feel that the discounts available reflect the types and sizes of connections that have been built as well as those currently within the GB queue?

The proposals discriminate against those Users that connect to the transmission system by a reduced GB SQSS standard of substation. This class of Users should be entitled to receive a substation discount to reflect the reduced infrastructure assets installed and their acceptance of the associated Transmission Related Agreement.

In Annexe 1 we have shown an example of how a new windfarm might connect into the transmission system for both a GB SQSS design and a User choice design. The User choice design might possibly be reduced further. In Annexe 2 we have shown how a twin unit generating station would connect to the transmission system for a GB SQSS design and an existing alternative User choice design. For both these types of User choice design the substation discount should be available since there is a reduction in the firmness of connection and a saving in installed infrastructure assets.

We are not aware of any public domain information that details the projects in the GB queue and are therefore unable to assess current/ future connections.

Question 4: Do respondents consider that there are any aspects of the proposal that have not been fully assessed?

Yes. We believe that Users less than 2km from the transmission system may choose a non-standard GB SQSS connection. In most cases there will be no applicable circuit discount since such assets will either be designated Connections Assets (Scotland) or Customer installed assets (England and Wales). However a substation discount should be available for such a directly connected generator.

CHAPTER 4: Assessment of other factors

Question 1: Do respondents have any views on the additional analysis set out in this chapter?

Paragraph 3.11 contains a table showing the substation discounts. We do not understand the reason for the 33kV voltage discount as this is below transmission level voltage. How will this discount be used?

As described in paragraph 4.4 a User with a single circuit connection may lose their discount if the connection of a third party results in the construction of a double circuit connection. We feel this provides a significant disincentive for a User to request a single circuit connection.

Question 2: Do respondents wish to present any additional analysis that they consider would be relevant to assessing the proposal?

No

Question 3: Do respondents consider that there are any aspects of the proposal that have not been fully assessed?

No

CHAPTER 5: Environmental impact assessment

Question 1: Do respondents consider that we have appropriately outlined the key environmental impacts of the proposal?

We concur with the conclusion in paragraph 5.9 that losses are likely to increase although these may not be significant the consumer will pay for any increase.

Question 2: Do respondents consider that there are other environmental impacts that should have been assessed?

Should our assertion that substation design variations be accepted then the visual and amenity impact would be reduced compared with the GB SQSS design standard. The reduced number of infrastructure plant installed should reduce the maintenance burden, hence reduced maintenance visits and general access requirements to site.

Question 3: Do respondents have any additional analysis in relation to environmental impacts that they wish to present?

No

CHAPTER 6:

Question 1: Do respondents have any views on both the process and timetable that are proposed for taking forward this assessment of the modification proposal?

This consultation has been rushed through without proper consideration of all the issues and the discriminatory aspects of the proposals. It should be reviewed in the light of industry comments and the April 2007 date for implementation is not appropriate

Question 2: Do respondents have any views on the appropriateness of the Authority granting a shorter notice period to allow this modification proposal to be implemented by 1 April 2007 if approved?

See Q1.

I trust this response is helpful but please feel free to contact me directly should you need clarification on any of the points made.

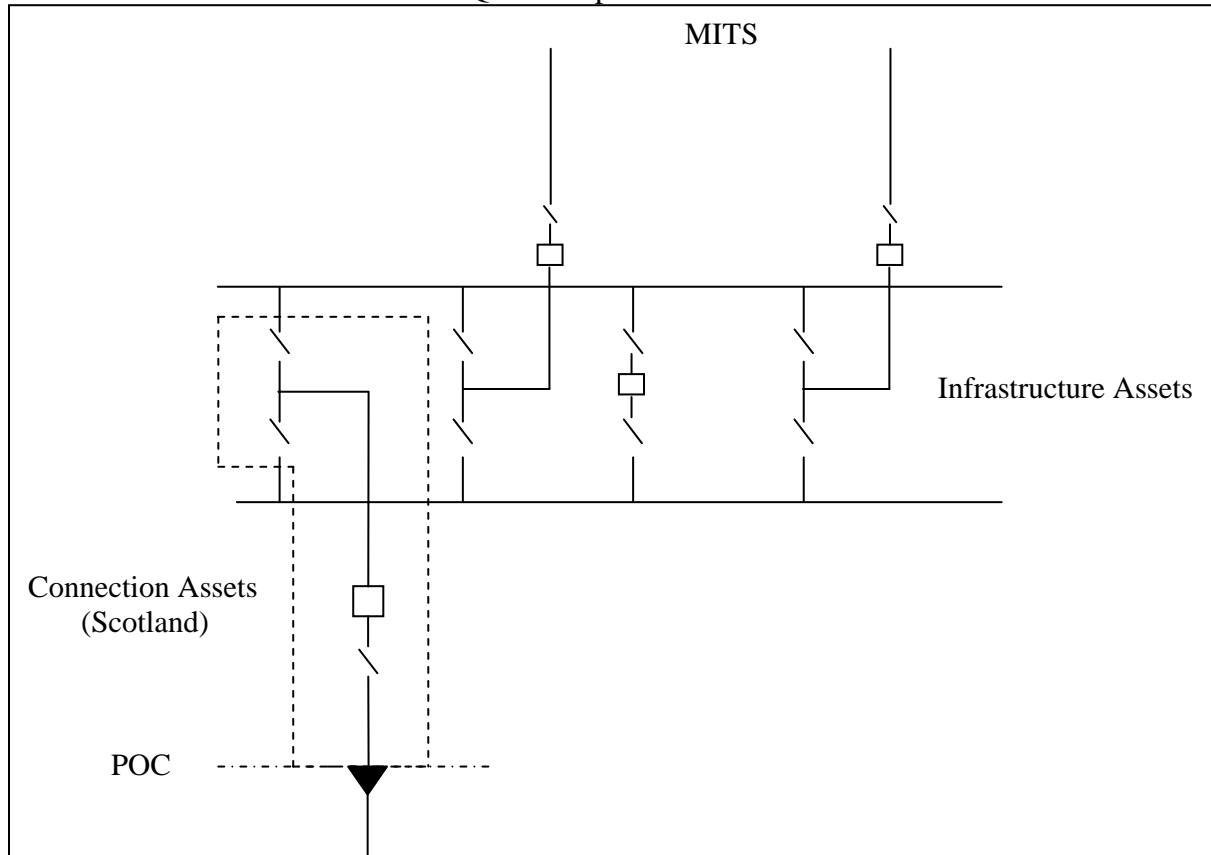
Yours sincerely

A handwritten signature in black ink, appearing to read 'J. Morris', is positioned above the typed name and contact information.

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Annexe1 – New Wind Farm Connected to MITS

GB SQSS Compliant Connection



User Choice Connection

