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Dear Grant,

Impact Assessment for the GB SQSS Design Variations based upon Customer Requests (GB ECM-06)

Having assessed National Grid's Charging Modification proposal regarding the charging arrangements associated with SQSS design variations, the Authority decided that the criteria for performing an impact assessment had been met. On 15th December 2006, Ofgem published an Impact Assessment document to aid the decision as to whether the proposed modification facilitates National Grid's better achievement of their Relevant Objectives, and the Authority's wider objectives, and consequently whether, or not, the proposal should be vetoed.

National Grid believes that its views have already been thoroughly communicated in the GB ECM 06 Conclusions Report¹, submitted to the Authority on 17 November 2006. As such, this response is limited to specific areas where it is felt that further clarification can be provided in answering the specific questions presented in the Impact Assessment.

Impacts in relation to relevant objectives

Within the impact assessment the following question was raised: "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?"

Existing connections

In 2007/08, there will be around 25 generators with access restrictions as a result of SQSS design variations connected to the GB transmission network. Of these, around two thirds will qualify for the proposed design variation discounts with an average TEC of approximately 60MW.

The generic examples used by the transmission licensees to calculate the substation discount associated with single circuit connections assumed that the single or double circuit would connect to a main interconnected transmission system double busbar substation. The majority of the existing connections are consistent with this example, however, there is a significant minority of 'teed' connections to main interconnected transmission system circuits. For these examples, the saving is affected by the

¹ www.nationalgrid.com/uk/Electricity/Charges/modifications/uscmc/

difference in configuration and the difference in Connection Charging Methodology treatment.

National Grid have looked at these examples in further detail and concluded that the additional saving associated with the Connection Charging Methodology treatment and the reduced saving associated with the 'teed' configuration net off to a good approximation such that the discount as calculated remains valid.

Most of the generators that do not qualify for the discount are single circuit connections that are less than 2km in length, with related asset capital efficiencies being reflected via connection charges.

There are other specific examples of design variations that would not qualify for a discount, including:

- double circuit connections which have been designed such that each single circuit does not have sufficient rating to accommodate the full capacity of the generator; and
- connection substations that are connected by a double circuit but that have reduced assets and therefore do not meet the requirements of the SQSS.

National Grid believes that the savings associated with each of these examples are considerably lower than those associated with single circuit connections and therefore National Grid believes that the design variation discount is not appropriate.

As described in the Conclusions Report, National Grid believes that whilst it would be possible to derive discounts for each of these designs, this would significantly reduce the transparency of the discount and is therefore not appropriate.

Prospective Connections

As with the existing connections, most of the connection design configurations for prospective connections are consistent with the generic connection designs.

National Grid continues to believe that the proposal achieves the appropriate balance between transparency and cost reflectivity. The qualification criteria for the single circuit design variation discount ensure the most frequent and significant design variations, single circuit connections, are correctly incentivised. National Grid agrees that other SQSS design variation designs exist but believe that their unique nature and typically, less significant asset value differential makes the provision of transparent and simple discounts more difficult.

Please do not hesitate to contact me, or Tom Ireland on 01926 656152, if you have any queries.

Yours sincerely,

[By Email]

Hêdd Roberts
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cc Michael Dodd