

Robert Hull
Director of Transmission
Ofgem
9 Millbank
London
SW1P 3GE

5th April 2007

Dear Robert,

Zonal transmission losses – assessment of proposals to modify the Balancing and Settlement Code

We welcome the opportunity to provide comment on the above Impact Assessment. This response can be treated from BizzEnergy Ltd can be treated as non-confidential.

Chapter Two

Do respondents consider we have appropriately summarised the direct impacts of the proposed and alternative modifications?

We are surprised that estimated TLMs under the current uniform loss method have not been included in the impact assessment. This data would have been an output to the Oxera work and presenting TLMs under the current method would have enabled participants to make a direct comparison with those TLMs calculated by Oxera under the proposed modifications.

There is also no indication provided of the volatility of the TLF values and hence the derived TLMs. Volatility is a relevant consideration and will weaken response signals and increase perception of risk. Given that TLFs will be calculated annually on a forecast basis using metered data and network data from the previous 12 month period, they will be sensitive to for example network operations.

Do respondents consider there are additional direct impacts that have not been fully addressed?

No

Do respondents wish to present any additional analysis that they consider would be relevant to assessing the proposals?

No

Chapter Three

Do respondents consider we have appropriately summarised the indirect impacts of the proposed and alternative modifications?

No, the “potential impact of the proposals on market participants” requires a fuller assessment. Any redistribution of costs can not simply be assessed in terms of generator or supplier location. For our part, we do believe that suppliers with most of their portfolio focused on the SME market may be more affected than domestic or I&C supplier in the same region. Contracts in this part of the market are longer term and customers expect the price to be fixed.

Do respondents consider there are additional indirect impacts that have not been fully addressed?

Yes. We do believe that small businesses may be impacted. It is likely that these customers will be located in particular region and opportunity for re-location may be limited and/or costly.

There may be also be a case for considering “harmonisation with European policy”, are transmission losses “postage stamp” or “location” based? We believe this is a step away from harmonization.

Do respondents wish to present any additional analysis that they consider would be relevant to assessing the proposals?

Yes, we believe from the recent Cash-Out Review Meeting at OFGEM that there are some common issues in assessing these proposals. Locational signals are concerned with energy balancing and the mechanism for determining losses should not be polluted with system operator actions such as management of transmission constraints and other network operations. Given that that the TLFs are determined by reference to the previous year where system actions will be present that may not be in future years, this will not be the case.

We therefore do not consider that these proposed modifications would be consistent with the principles established by the Cash Out Review and firmly believe that further consideration is required in light of this work.

Chapter Four

Do respondents consider we have appropriately outlined the key environmental impacts of the different proposals?

We note the environmental impact assessment over the period 2006 to 2011. But believe that a longer period needs to be considered.

Do respondents consider there are other environmental impacts that should be assessed?

No

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

Chapter Five

Do respondents have any views on both the process and timetable that are proposed for taking forward this assessment of the proposed and alternative modifications?

This is a complex issue with the decision finely balanced. It would be appropriate for the Authority to consult on a “minded-to” decision in advance of reaching a final decision.

Trust that these comments are helpful. Should you wish to discuss further, then please do hesitate to get in touch.

Yours sincerely,

Keith Munday
Commercial Director