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Dear Mr. Hull,

Zonal Transmission Losses – response to the Authority’s ‘minded-to’ decisions

I write on behalf of E.ON UK to say that we applaud the Authority’s decision that it is minded to approve BSC modification proposal P203, which would incontestably provide the highest financial and environmental savings on power lost over the transmission system.

Furthermore we acknowledge that the decision has been reached after an exhaustive change process, during which every conceivable issue has been intricately examined by the wider industry.

Therefore to avoid re-evaluating well-rehearsed arguments, we would like to take the opportunity of this final submission to emphasise why the implementation of P203 would undoubtedly better facilitate the achievement of applicable BSC objectives (b) and (c).

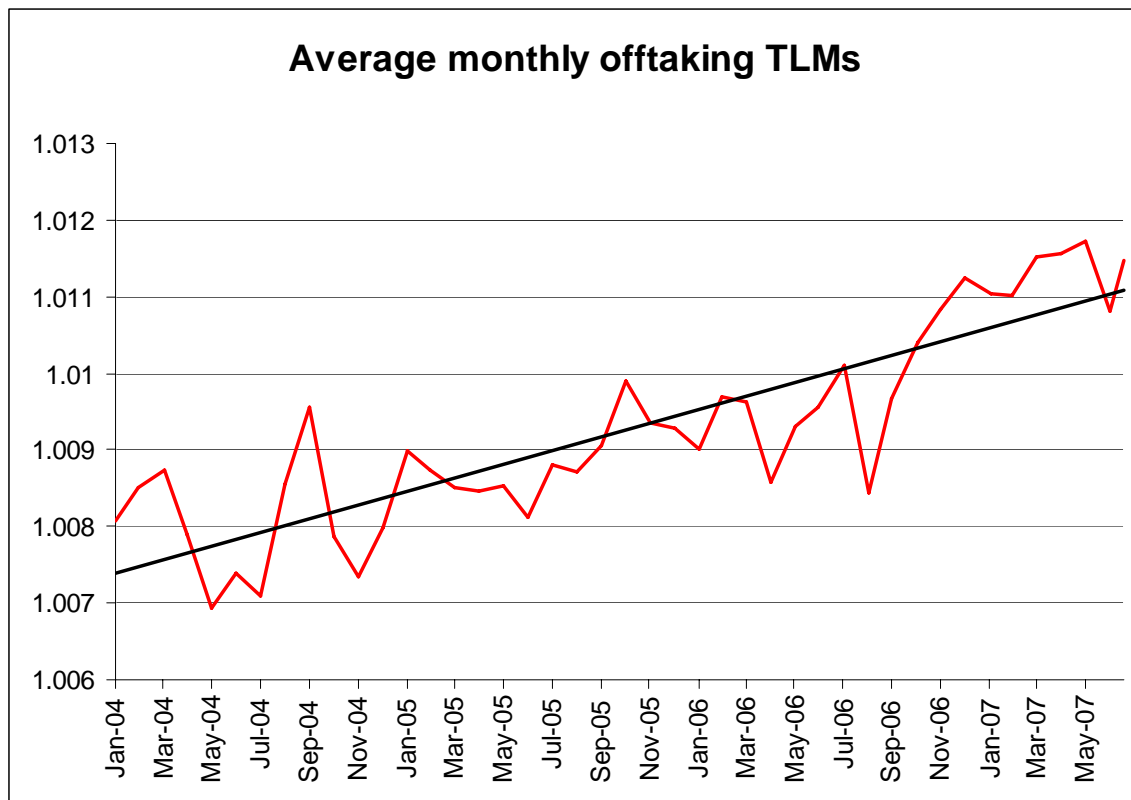
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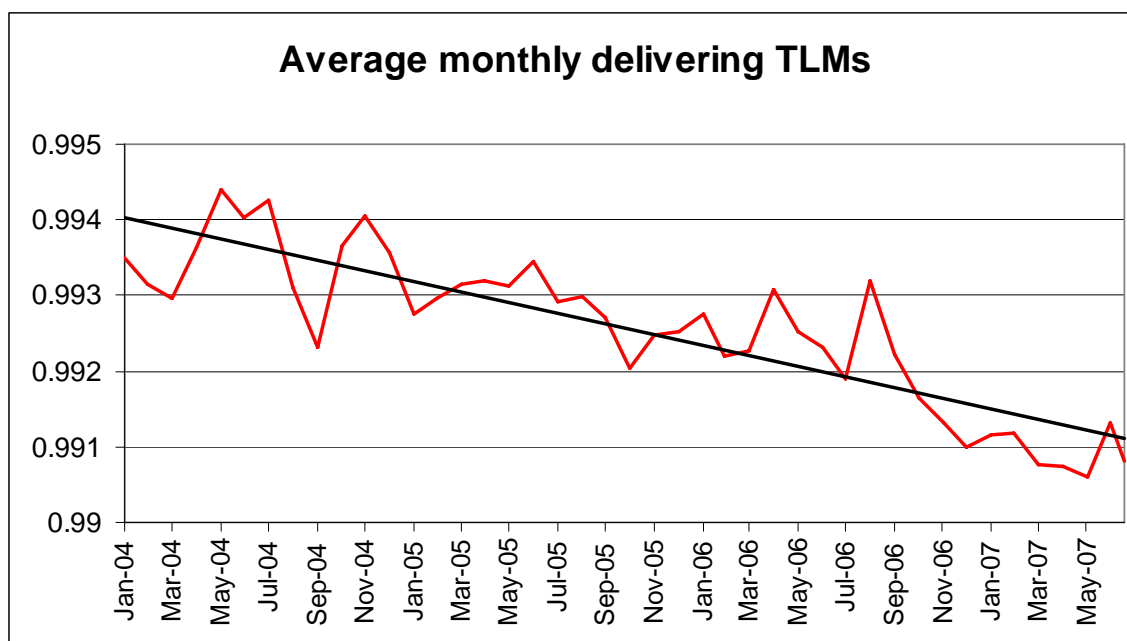
Efficient and economic operation of the transmission system (objective b)

Even the most robust cost-benefit study is not intended to produce numbers for which it is impossible for another party to scrutinise and question; and it is clear that where parties have sought to re-assess analysis undertaken by OXERA and Siemens-PTI, they have not been able to demonstrate that the inevitable conclusion to draw from that analysis is mistaken. Namely, that a cost-reflective allocation of transmission losses would reduce the level of financial and environmental waste.

Furthermore, we would point out again that the cost-benefit results could be magnified, as the volume of power lost over the transmission system continues to increase in the absence of an allocation that gives weight to the distance that power has to travel from generator to customer.

The problem is shown on the charts below. The physical level of losses feeds into the uniform Transmission Loss Multiplier (TLM) figure for each settlement period. The red lines are actual TLMs and the black lines are the linear trends for offtaking and delivering TLMs respectively.





Taking the monthly mean average of TLMs, using data publicly available from ELEXON, we can see that losses have continued to increase, even throughout the months since Ofgem released the impact assessment. There is no justifiable reason to further delay or mitigate the implementation of a system to reverse this wasteful trend.

Promoting effective competition (objective c)

We are convinced that the further assessment of competition issues in the 'minded-to' consultation document equates to a watertight case that the current uniform allocation of losses results in some parties subsidising the costs of others. This situation, particularly in the light of knowledge that these subsidies are increasing, is unfair and should not be maintained.

No party doubts that the location of where power is put onto or taken off the network determines the level of variable transmission losses. Therefore arguments against parties taking a proportionate share of the costs do not stand. P203 would provide cost-reflexivity in the most accurate way that is feasible.

Having put the fundamental case again, we look forward with confidence to the Authority's endorsement that its 'minded-to' decisions are correct – and expect to support those final decisions wholeheartedly.

Yours sincerely,

Ben Sheehy

Trading Arrangements
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