



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

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Dear Mr Hull

Uskmouth Power Company Ltd

West Nash Road, Newport,
Gwent, NP18 2BZ

Tel: +44 (0)1633 292700

Fax: +44 (0)1633 292701

info@carronenergy.com

Recovering Costs for Disconnections

Uskmouth Power Limited welcomes the opportunity to respond to Ofgem's consultation on compensation for temporary physical disconnection. As a generator we believe it is important that compensation is payable when the TOs fail to deliver the firm capacity rights that we pay for. However, such compensation will fail to incentivise them unless they carry some bottom line exposure to those costs, rather than simply passing the costs back to the market.

We are not surprised that NG's forecasts are inaccurate as they do have a history of over forecasting costs, as noted in the SO incentives consultation document. However, the evidence provided does not lead us to believe that any cost recovery mechanism needs to be retrospective as the costs have not been sufficiently high to warrant such retrospection, given Ofgem's general position on retrospection. The latest data from NG in fact implies that it is not worth setting an incentive for them as the costs are relatively low and were they to be higher then they could request an Income Adjusting Event (IAE) anyway.

Uskmouth Power would prefer to stick to the option of using IAEs to recover costs. We agree that the pass through of efficiently incurred costs is appropriate, but the use of IAEs offers everyone in the market the opportunity to comment on whether the costs were economic and if they feel the GB SO and TOs acted in a manner that was most likely to limit costs and maximise capacity availability. Keeping a closer eye on the way these costs are arising will ultimately provide information that will be useful in regulating all TOs.

Uskmouth Power also believes that the IAE process would be a more appropriate tool for use under CAP144. IAEs allow the monopolies to recoup the costs associated with unforeseen or unmanageable events without giving them a general allowance for having a system that is in need of upgrading. While the setting of some form of incentive may be possible in the longer term, Uskmouth Power remains concerned that the monopolies are generally the "winners" from such schemes that all too often appear to pay them to perform jobs that seem essentially to be their core businesses, against which they already get a rate of return.

If a cost recovery mechanism is deemed necessary, Uskmouth Power supports the use of TNUoS as an appropriate mechanism to recover costs. We do note, and agree with other participants, that TNUoS does send the costs back to those who have suffered from reduced access rights. Ideally some of the costs should move from the GB SO to the TOs as it is their assets that are ultimately failing to provide the robust level of access generators have paid for.

We hope that these comments are helpful, but if you would like to discuss any of the points raised please do not hesitate to contact me.

Yours sincerely

Rebecca Williams
Head of Trading

