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Dear Anthony

Response to Consultation on Scottish TO Charging Statements

National Grid welcomes the opportunity to respond to Ofgem's consultation on the modifications to the Statements of the Basis for Transmission Owner Charges proposed by Scottish Power Transmission Ltd ("SPT") and Scottish Hydro-Electric Transmission Ltd ("SHETL").

In its role as Great Britain System Operator (GBSO), National Grid is responsible for recovering revenue from Users of the transmission system via transmission charges. National Grid then passes these revenues onto the Transmission Owners (TOs) following the invoicing of charges by SPT and SHETL in accordance with the TO Charging Statements.

In order to perform this role it is key that there is clarity and consistency of cost allocation between the methodologies. In this regard National Grid welcomes the significant changes that have been proposed, especially the adoption of National Grid's and SHETL's definition of the connection charging boundary in Section 1.2 of Scottish Power's Statement. National Grid's remaining concern in this area is that this connection boundary definition should now be systematically applied by Scottish Power. Recent developments suggest that Scottish Power use a "Collector Substation" concept to which alternative boundaries and charging arrangements apply. If such a concept exists, it remains undefined in the Statement.

Notwithstanding the other welcome modifications that have been made to both statements, National Grid believes that the Statements would benefit from additional clarity in the following areas:

SPT Statement

National Grid continues to have reservations on the meaning of the term EXS_t in the Scottish Power Statement. Following a number of requests for additional information, National Grid has been advised by Scottish Power that EXS_t means "maintenance charges for those post vesting assets that are new or have been modified on user request (or if a significant increment of capacity is involved) since vesting, excluding assets that are pure replacements regardless of whether fully depreciated or not". We have also been advised that a "significant increment of capacity" would be considered to be "all changes of capacity to a GSP other than the small increments of capacity which would arise from different rating of (standard size) transformer and associated switchgear". National Grid remains unclear about the costs of which assets are recovered through Site Specific Charges and the costs

of which assets are recovered through the EXS_t charge. National Grid notes that Scottish Power's interpretation is in contrast to SHETL's distinctly different approach described on pages 4 and 5 of its statement. SHETL clearly define Site Specific charges where EXS_t is identified as a subset of Site Specific charges relating to post-vesting pre-BETTA connections.

Hence, for SHETL;

Site Specific = $EXS(\text{Post Vesting Pre BETTA}) + \text{Excluded Services}(\text{Post Vesting Post BETTA})$

However, for SPT Site Specific is capital on Post Vesting Assets, but presumably only on new ones that don't qualify as replacements since the costs of these would be recovered through EXS.

In summary, the definitions of Site Specific and EXS are different for each TO. Clearly, a consistent approach would be desirable to avoid future charging mismatches between National Grid and TO Revenues, and indeed for identifying where those mismatches might arise.

SHETL Statement

- National Grid would welcome greater clarification in the SHETL Statement regarding the basis upon which indicative and fixed price offers are made. Such clarification would aid National Grid in the process for reconciling connection charges upon completion.
- SHETL make reference to "Contestable Connection Works" on page 11 of the statement and "Self-Build Option" on page 14. It is National Grid's understanding that the page 11 modification was intended to replace the original page 14 paragraphs.

More generally, as expressed in previous responses to consultations on the TO Charging Statements, National Grid has concerns regarding the potential for mismatches between National Grid and TO revenues that arise as a result of the differing treatments of items such as rates of return, post-vesting connection assets, site-specific maintenance, transmission running costs and application fees. A drive for consistency in these areas would have benefits.

Finally, National Grid would like to comment on the process for amending the Scottish TO Statements. National Grid would argue that the Scottish TOs should undertake their own respective consultation processes with defined timescales ahead of the new charging year. Indeed, National Grid would welcome a licence change to align the governance arrangements for all electricity transmission charging methodologies as National Grid sees no reason for there to be any difference in treatment.

Yours sincerely

(by email)

Nick Pittarello

