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Ofgem Impact Assessment – Charging arrangements for transmission infrastructure assets local to generation connections (GB ECM-11)

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Attachment 1: Response to the Specific Questions in the Consultation Document.

CHAPTER: Three

➔ Question 1. Do respondents wish to present any additional quantitative analysis that they consider to be relevant to assessing the proposal?

No

➔ Question 2. Do respondents consider that there are any aspects of the proposal that have not been fully assessed?

We believe that the interaction of GB-ECM11 with the proposed reform of the transmission access arrangements requires further consideration. In particular we note that the concept of a local connection has been developed further to enable users to connect to the transmission system without corresponding "wider" works. We are concerned that GB ECM11 should be consistent with this. For example, GB ECM11 provides a discount is applied in circumstances where assets are currently "shared" with other users including demand. Such assets could be classed as "wider" works for the transmission access regime.

We are concerned that sharing arrangements for "wider" works will interact with the local charges and the associated incentives for economic and efficient investment in transmission assets.

➔ Question 3. Do respondents consider that the key features of the proposal strike an appropriate balance between cost-reflectivity, transparency, complexity and stability? We welcome specific comments on appropriateness of the definition of local/wider boundary, the setting of the four components including the categorising and costing of relevant designs and asset types for local circuit and local substation.

Wee have considered the definition of local assets in the light of work undertaken through the CUSC working groups in developing proposals for transmission access reform. The definition must be consistent with allowing discounts for design variation connections as envisaged in Appendix 6 to the impact assessment However, the definition should remove the potential confusion that may occur where assets are being shared or are capable of being shared or are shared at some time in the future.

➔ Question 4. Do respondents wish to present any additional views on the different treatment of generation and demand connections, both in general and in terms of the treatment of circuit and substation elements, resulting from this proposal?

We believe that a clear definition of local assets would remove any issues associated with the differential treatment of generation and demand connections. In particular we note that a revised definition should apply to design variation generation connections.

➔ Question 5. We welcome further views on both the proposed approach and the effects of not including consideration of partial redundancy in the local charge calculation, particularly on the generators deemed to have partial redundancy.

We believe that this is an area of potential confusion and inconsistency of treatment for users. We believe that a clear definition of local assets would enable differential security factors to be adopted that reflect appropriately the nature of the design variation connections and allow for cost reflective local charges.

➔ **Question 6. Do respondents wish to present any further analysis on the proposed treatment of spare asset capacity relative to contracted TEC, particularly the effect on the cost signal to adopt the most economic and efficient option available?**

We believe that the local signal in relation to investment in local connections should be clear and transparent to all users and provide appropriate incentives to promote economic and efficient connections to the transmission system. We understand the nature of the locational signal in relation to local charges for design variation connections as currently envisaged under EGB ECM-11. However, the definitions adopted for local assets and the MITS will impact on charges for power stations currently connected to the GB transmission system (but not the MITS) even though such connections are not currently defined as design variation connections. This is evident in the schedule of charges where there are examples of significant local charges for power stations already connected to the transmission system but not subject to design variations. This outcome appears to be an arbitrary and an artefact of the methodology adopted. We believe that the resultant charges may be confusing for users in terms of the locational signal and the resulting charges

➔ **Question 7. Do respondents consider that this modification promotes more effective competition by sharpening generators' exposure to the costs they incur and the relative competitive pressures this exerts? Conversely, do respondents wish to provide further detail of any discrimination concerns?**

In the context of the wider transmission access reforms, we are concerned that the split between MITS substation and connection to "local" transmission infrastructure introduces confusion and this issue requires further consideration. In particular we are concerned that local access may mean different things to different users depending on the way that the local and wider works at different locations are defined. Consequently we are uncertain as to whether the proposal can deliver more effective competition.

➔ **Question 8. Do respondents consider that the proposal complements the changing nature of the transmission network and assists the development of an economic and efficient transmission system?**

The proposal may promote more efficient transmission investment for certain design variation connections, but we are unclear as to the signal given the issues associated with the definition of local and wider works discussed in the transmission access reform working groups.

CHAPTER: Four

➔ **Question 1. Do respondents wish to present any additional quantitative or qualitative analysis that they consider would be relevant to assessing this proposal?**

No

➔ **Question 2. Do respondents consider that there are any aspects of the proposal that have not been fully assessed against the factors set out in this chapter?**

No

➔ **Question 3. Do respondents consider that the exclusion of demand connection by the proposal would appear to discriminate between generation and demand users?**

Since the proposal was originally developed to provide arrangements for design variation connections for power stations that appropriately reflect the costs imposed on the system for such connections we believe that the proposals do not discriminate for such users.

It may be appropriate to consider further whether appropriate cost reflective discounts should apply to demand connections. However we believe that this should form part of a separate review.

➔ **Question 4. We welcome further views on whether the proposals, by providing more cost-reflective charge signals to users choosing less secure connection designs, could have adverse impact on security of supply.**

There is no doubt that design variation connections with associated output restrictions (transmission related agreements) may have an impact of the availability of generating capacity to the SO and in the energy market. However, we would note that design variation connections reflect particular conditions on the transmission system (fault levels and outages) and our expectation is that such conditions are temporary and in any event manageable by the SO/TOs to maximise availability of generation and ensure security of supply.

➔ **Question 5. Do respondents wish to present any further analysis on the wider implications of the benefit that may ultimately be expected to be passed through to consumers?**

No

➔ **Question 6. Do respondents have any views on the interaction of NGET's charging proposal with TAR as set out in this chapter?**

As noted throughout this consultation response we are concerned that the issues associated with local connection in relation to wider transmission access reform require more detailed consideration.