



Lesley Nugent
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2 July 2009

Dear Lesley

Response to Impact Assessment CAP170: Category 5 System to Generator Operational Intertripping Scheme

Uskmouth Power supports the aim of CAP170 amendment, attempting to reduce the cost of managing constraints on the transmission system, but we have concerns about the use of a new category of operational intertrip that applies administered pricing. Administered pricing sits uncomfortably with a competitive market and risks over or under paying different classes of generator for the same service.

We are concerned about the changes triggered to the Bilateral Connection Agreements (BCAs) and a move to a mandatory service. The established BCAs have been negotiated and signed in good faith by the parties concerned. We do not believe it is appropriate forcing changes to the BCAs unless both the generator and NGET agree. A potential adverse impact of increasing regulatory risk through advocating changes to the BCAs via modifications shall lead to generators being discouraged to offer these services to the System Operator (SO). In the future, the SO may incur greater costs in managing the transmission system as generators become reluctant to offer services through the BCA. While this modification covers Inter-trips there is nothing to stop future changes impacting other ancillary services contracts.

We are also concerned by the way that the administered pricing methodology has been arrived at, with limited consultation and no detailed consideration of other charging options, so we are unsure if the proposals offer a reasonable compensation to the affected generator. A pricing mechanism that more accurately reflects the generator's costs, including the loss of revenue maybe more equitable. As noted above, we do not think that this amendment should alter existing contracts as we assume that the parties have been able to agree terms that are acceptable to them thus allowing consideration of a loss of revenue to be incorporated by the generator.

As a consequence of the TAR process, it is possible that numerous derogation boundaries may arise in the future throughout GB. Were non-compliant boundaries to arise in negative TNUoS zones, would the relevant generator not receive the restricted export level payment that rebates the TNUoS charges on a daily basis? We do believe that the further consideration of the administered pricing mechanism is necessary under a scenario where numerous derogated boundaries from SQSS have been permitted rather than merely just the existing Cheviot boundary. The existing generators need to be aware of the likeliness of becoming a generator behind a derogated boundary in order to establish whether they

could be exposed to the administered pricing of a category 5 intertrip and whether they will be required to install intertrip equipment. The Impact Assessment (IA) states that the annual capability fee covers the costs of such installations without the mention of the loss of revenue incurred whilst installing the equipment.

Uskmouth Power are aware of the changes required to other documents as a result of CAP170 being approved. For example, the Balancing Principle Statement should provide an explanation of the criteria that NGET shall take into consideration when making a decision to arm a category 5 intertrip scheme. Whilst, the Procurement Guidelines shall define the criteria that NGET will apply when it selects a provider for the service. These changes have been consulted upon but provide no assurance that NGET will treat all generators behind the boundary in an equitable fashion. We would therefore like to see NGET consulting on the “methodology” for deciding which sites are impacted. It is also unclear what the governance of this “methodology” is, for example who is tripped when, what happens to plant that could not technically be tripped? Furthermore that governance of these methodologies for using these types of inter-trips must involve all CUSC parties not be left to the discretion of the SO.

In conclusion, we do not feel that the proposal should be approved until the full details of the scheme have had proper consideration by the industry. In particular, it is vital that the industry have access to the methodology for deciding which generators are chosen, in order to ensure a fair process of selection is established. If, however, Ofgem were to agree to this modification we believe that they should ask NGET to review the associated costs and charging structures before implementation.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Williams', with a stylized, cursive script.

Rebecca Williams
Head of Trading