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By email

Dear Dena,

**RE: Ofgem's Impact Assessment on Locational BSUoS Charging Methodology – GB
ECM - 18**

Thank you for the opportunity to respond to this Consultation Document. This is a non confidential response on behalf of the Centrica group of companies excluding Centrica Storage Ltd.

As we stated in our response to DECC's recent consultation on improving Grid access, Centrica believes that in an era of an enduring Connect and Manage regime, and the potential for numerous derogated boundaries, constraint costs should be socialised. This is on the proviso that anticipatory investment is undertaken and there is implementation of other technical and commercial tools to reduce constraint costs.

We also wrote that if there is to be a targeting of constraint costs, this should be on new generators opting for a Connect and Manage connection, rather than all new and existing generators behind a derogated boundary. Given that locational BSUoS would capture all types of generator behind a derogated boundary, we do not support these proposals.

With the exception of perhaps Scotland, existing generators have connected on the basis of a GB SQSS compliant system and the assumption that network charges would reflect the costs of a compliant system. Although the level of costs may be impacted by existing generators, the incremental constraint costs are triggered by generators who choose to connect before wider works to the transmission system have been carried out. Unlike new generators, existing generators cannot respond to these signals by locating elsewhere to avoid these costs.

We do not believe that existing generators behind the derogated boundary should be required to generate differently than had there been no network constraints as a result of Connect &

Manage generators connecting to the system, which would be the case if Locational BSUoS proposal is not vetoed. If existing generators are required to take these network constraints into account this means that the transmission system would interfere with the energy market and we believe this would undermine existing generators' firm access rights. However, if there are any concerns related to possible abuse of market power in terms of operating profile or the provision of balancing services, these should be addressed through normal regulatory and / or competition processes.

We would also point out that Locational BSUoS, within an enduring Connect and Manage regime, would lead to a significant amount of instability that would be brought about in the charges given the introduction and removal of non-compliant boundaries and the uncertainty of their duration. We believe that this would introduce a significant amount of complexity into the charging regime and as such would have a negative impact on competition.

Furthermore, we do not understand the timing of the consultation and the need to proceed with the consultation considering the fact that DECC was about to make a decision on Transmission Access. DECC's decision in January 2010 to introduce Connect & Manage with socialised constraint costs from June 2010 would give Locational BSUoS a duration of just two months if it is approved. Furthermore, even if a delay were to result in an enduring Connect and Manage regime being implemented a year later in June 2011, Locational BSUoS would still only have a life of 14 months, which we believe is insufficient to justify its introduction. On this basis, and given our arguments above, we would urge Ofgem to veto this proposal.

I hope these comments have been useful. If you want to discuss any element of this response, please do not hesitate to contact me on 07789 579169 or at Ricky.Hill@centrica.com.

Yours sincerely,

Ricky Hill
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