



First Hydro Company is part of a joint venture between
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Dear Dena

Locational BSUoS Charging Methodology GB ECM-18 Impact Assessment

International Power (IPR) is responding to your Impact Assessment on behalf of First Hydro Company, Saltend Cogeneration Company Ltd, Rugeley Power Ltd, Deeside Power Ltd, Indian Queens Power Ltd and IPM Energy Retail Ltd.

GB ECM-18 will have a significant impact on many users of the system, our view is that whilst we support implementation of the locational BSUoS element of the proposal (with a revised treatment of reserve) we do not support the modification to the TNUoS methodology which will reduce the long term signal in constrained areas. Given that both elements are contained in GB ECM-18 we think that GB ECM-18 should be rejected and a new proposal brought forward that covers only the locational BSUoS element.

There is a significant conflict with the current DECC consultation on reforming the Transmission Access Regime. Whilst IPR support the implementation of the zonal BSUoS element of GB ECM 18 we believe that should a socialised connect and manage approach be adopted by DECC it would not be appropriate to implement zonal BSUoS. This provides further justification for rejection of this proposal until the full design and any restrictions on charging reform are made clear.

We outline below our detailed views on the various elements of the proposals.

Locational BSUoS

We believe that in situations where NG has a non-compliant SQSS boundary that it intends to reinforce then some form of locational BSUoS should be applied to all parties behind that boundary. In situations where NG has decided that it is not economic to reinforce the particular boundary we believe no locational BSUoS charge should be applied.

The analysis performed by NG is subject to a significant number of assumptions principally concerning Bid-Offer differentials, unconstrained running of plant behind boundaries and summer/winter plant availability. Whilst we believe that looking in more detail at each of these elements could reduce the benefit of the proposal it is unlikely to change the broad conclusions.

We have a concern as to the level of judgement that will be applied by NG when calculation the constraint cost. The proposal would be improved if the methodology that was to be adopted simple and transparent.

The proposed BSUoS calculation includes the valuation of sterilised headroom that could be used for reserve. We do not believe that this is appropriate. There is no obligation on generation to provide headroom behind a boundary and generation is not rewarded for the provision of such headroom.

TNUoS Charge

The TNUoS charge represents the long run marginal cost (LRMC) of the transmission system at a node. The load flow model takes no account of actual generation patterns or physical flow but simply calculates the cost of the marginal MW at system peak.

We believe artificially reducing the LRMC cost behind a boundary (given that it will return to the true LRMC level post reinforcement) sends the wrong signal to users and potential users behind a boundary and will encourage investment in areas that are constrained. In terms of rights all users behind a constrained boundary have equivalent rights to all GB users and should be charged on the same basis.

The proposal reduces the effective capacity of generation behind a constraint by pro-rating its TEC to meet the SQSS level. We believe that simply pro-rating all TEC behind a boundary is not appropriate and will over estimate the potential effect. If pro-rating of TEC is required then account should be taken of load factor and probability of running (as is used in the BSUoS estimate) which would result in a more cost reflective charges..

We do not think that this represents cost reflective charging and as such should not be implemented.

We hope that you find these comments useful.

Yours sincerely,

Simon Lord.

Transmission Services Manager