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Our Reference
Your Reference 149/09

Dear Dena,

GBECM18: Locational BSUoS Charging Methodology.

National Grid welcomes the opportunity to comment on the Regulatory Impact Assessment relating to National Grid's Charging Modification Conclusion Report and Addendum regarding the charging arrangements for Locational BSUoS Charging Methodology (GBECM-18) that was subsequently resubmitted to the Authority on 26th November 2009.

Within the Regulatory Impact Assessment, Ofgem poses a number of specific questions relating to the charging modification and specifically in respect of the analysis provided by National Grid. Consequently National Grid has not repeated comments presented in previously submitted reports. This response has been generally limited to areas of further clarifications and to further analysis that we have undertaken or that has become publically available.

Questions within Chapter 3

Question 1-3: National Grid remains firmly of the view that, if introduced, Locational BSUoS would be beneficial in reducing cost of constraints.

We note that Redpoint have independently performed a similar analysis for DECC¹ and that their conclusions agree with those of National Grid in that "locational charging of constraint costs to generators could potentially reduce overall constraint costs significantly while having little impact on renewable output".

National Grid has received a number of queries from users regarding the impact of "nested" derogated boundaries on locational BSUoS charges. We have carried out further analysis to demonstrate this, but this is not yet complete. National Grid will aim to provide this further analysis to Ofgem as soon as possible.

¹ Redpoint Energy: Improving Grid Access: Modelling the Impact of the Consultation Options, January 2010

Question 4: We believe that, given both the Redpoint analysis and our analysis, that the proposed changes still offer an appropriate balance between cost reflectivity, transparency, complexity and stability.

Question 5-7: National Grid's view has been addressed within our submitted report.

Questions within Chapter 4

Questions 1-6: National Grid's view has been addressed within our submitted report.

Question 7: Locational BSUoS is a mechanism for managing the costs of over allocation of system capacity. The TAR proposals considered by the industry process include a range of options for dealing with short term costs as implicit and explicit products and directed to either new or new and exiting Users. In this context Locational BSUoS, along with a pure connect and manage, can be viewed as a separate TAR proposal. Other elements of a Users rights and obligations, such as User Commitment, can be considered separately.

We note the statement made by DECC on 14th January that connect & manage with socialised constraint costs is the preferred enduring transmission access model. Given the limited time between the earliest implementation date for locational BSUoS and the implementation date for the enduring access regime, we do not believe that the implementation of locational BSUoS would be efficient given the associated implementation costs.

If you would like to discuss any of these points further, please do not hesitate to contact me.

Hêdd Roberts
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