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Dear Anthony,

Consultation on the discount for small transmission connected generators from 31 March 2011

Thank you for the opportunity to respond to the above consultation. E.ON continues to disagree with the principle of the small generator discount. However, in the context of Project Transmit and to ensure investment stability in the short term we agree with Ofgem's proposal to extend the small generator discount provisions in SLC C13 of National Grid's Transmission Licence.

As you will know from our previous responses on the small generator discount, we do not support it in principle. We do not see why a generator connected at 132kV in Scotland should not be treated the same as any other connected to the transmission system, be it at different voltages or elsewhere in the country. The fact that the transmission system operates down to a voltage of 132kV in Scotland whereas the lowest equivalent voltage in England and Wales is 275kV is not of any particular relevance as to how transmission charges should be levied. Similarly, the fact that distribution systems in England and Wales operate up to 132kV is also not relevant. A 132kV connected generator in Scotland is clearly connected to and using the transmission network and therefore should pay for this. Similarly such generators are not connected to a distribution system and should not pay for this either (which of course they do not).

We appreciate that in light of the Authority's intention to undertake Project Transmit, it would seem inappropriate to insist that National Grid meets the requirements of licence condition C13 as it currently stands. However, this then leads to the question of

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what to do while the arrangements are being reviewed. Although we are unsupportive of the present discount, it would seem to be inappropriate for it to be removed while the review is being undertaken. Therefore, we support the proposed extension until April 2013. We also agree that to leave the level of discount at its present level is the best policy. The current level is somewhat arbitrary, but we do not believe that a better alternative would be found if it was decided to review its calculation.

In terms of whether the best endeavours obligation should remain on National Grid, we believe that it should be removed entirely. We note that the present condition requires National Grid to put in place enduring charging arrangements for generators connected to the transmission network who if they were connected to the distribution network at an equivalent would not be charged TNUoS. However, National Grid has responded to this condition by reviewing the charging arrangements not for these generators, but for distributed generation in general. Therefore, there already seems to be a disconnect between the present wording of the licence condition and the direction that the associated charging debate has taken. Additionally, it is questionable whether such a licence conditions will be necessary in future when Ofgem is able to instruct National Grid to make changes as a result of a Significant Code Review. Therefore, there appears to be little reason to roll over this element of C13.

I hope the above comments prove helpful.

Yours sincerely

Paul Jones
Trading Arrangements