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Dear Anthony

Consultation on modifications to Statements of the Basis for Transmission Owner Charges 2011/12

National Grid welcomes the opportunity to respond to Ofgem's consultation on the modifications to the Statements of the Basis for Transmission Owner Charges proposed by Scottish Power Transmission Ltd (SPT) and Scottish Hydro-Electric Transmission Ltd (SHETL).

In its role as National Electricity Transmission System Operator (NETSO), National Grid is responsible for recovering revenue from Users of the transmission system via transmission charges. National Grid then passes these revenues onto the Transmission Owners (TOs) following the invoicing of charges by SPT and SHETL in accordance with the TO Charging Statements. Following implementation of the Offshore Regime, National Grid will also be acting in a similar capacity for the new Offshore TOs (OFTOs).

National Grid is keen to progress the work to provide greater consistency between the Statements of NGET, SPT and SHETL. Whilst we note that some changes have taken place we believe there is work needed to improve the consistency of interpretation of licence terms defined in Special Condition J8 of SPT's and SHETL's transmission licence.

SPT Charging Statement

Changes made in 2010/11

National Grid welcomes the changes that SPT made during 2010/11 to clarify the definition of General System Charges (GSC) and Site Specific Charges (SSC) i.e. that capital cost relating to pre-vesting assets would be recovered through GSC and capital costs relating to post-vesting assets would be recovered through SSC. We note however that these definitions have changed in 2011/12 and this creates inconsistencies elsewhere in the statement and removes the clarity added in the previous year. It would therefore be helpful for the changes made in 2010/11 to be reinstated in 2011/12.

Treatment of Operation & Maintenance (O&M) costs

National Grid notes that SPT continues to recover O&M costs associated with post-vesting connection assets through GSC rather than SSC. This is different from the approach adopted by SHETL (and by National Grid in the customer-facing GB charging methodology). Given that the wider commercial and regulatory frameworks appear to be the same for both TOs, National Grid is concerned that there may be unintended consequences due to approach hitherto adopted by SPT. Notwithstanding this, unjustified differences in TO charging arrangements are likely to increase the time and effort needed to understand the information provided by each TO.

SHETL's Charging Statement

A remaining item on which progress has been slow over the last year relates to National Grid's continuing inability to back-off indicative price contracts for customers in SHETL's area. Although National Grid as NETSO offers an indicative price option for connection applications across GB (i.e. a reconciliation between indicative and actual costs takes place after completion), SHETL only makes available fixed price contracts to National Grid¹, and hence a reconciliation would never take place. We believe all customers across GB should be entitled to examine indicative versus actual costs. SHETL agreed to review this and we look forward to receiving the conclusions of its deliberations.

Common to both SPT and SHETL

Determination of EXS

National Grid notes that SHETL and SPT take different approaches to determining the value of EXS despite having equivalent definitions of this term in their respective licences. This is important since the value of EXS affects the revenue that National Grid recovers on behalf of the TO through TNUoS charges i.e. TSP and TSH. Against this background, it is important that EXS is reviewed and more clearly defined so that the relationship between TSP / TSH, EXS, SSC and GSC is fully understood in the context of National Grid's own customer facing charges.

Definition of charging boundaries

National Grid had expressed concerns in previous years in ensuring a common understanding on the connection charging boundary is applied across National Grid, SPT and SHETL. Both of the Scottish TO statements includes passages identical to National Grid's GB Connection Charging Methodology and National Grid is keen to ensure a consistent interpretation of these connection boundary principles and National Grid welcomes and supports the continued inclusion of this consistent set of connection boundary definitions across all Charging Statements.

¹ "Indicative Price Offer" on Page 11 of SHETL's statement actually means the price is fixed at a later stage (post-offer), but no reconciliation is available on completion.

National Grid continues to work with the Scottish TOs through the Charging User Group (ChUG) to establish methods of ensuring consistent application of connection boundaries to User Connections. This work is ongoing and all members are working to ensure consistent application of the boundary principles detailed in all Charging Statements.

Please let me know if you have any questions on the above.

Yours sincerely

(by email)

Anne Bennett

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