NU'GEN

Mr A. Mungall
Electricity Transmission Team
Ofgem
3rd Floor
Cornerstone
107 West Regent Street
Glasgow. G2 2BA

14 February 2012

Dear Mr Mungall,

ELECTRICITY TRANSMISSION CHARGING: ASSESSMENT OF OPTIONS FOR CHANGE

NuGen is a UK nuclear development company owned by GDF Suez and Iberdrola with the purpose of developing the 'Moorside' project, a new nuclear power generating installation of up to around 3.6 GW output, to be located on land for which we have an option in Cumbria.

Nuclear developers are, at present, constrained in their choice of sites to a small number of locations listed in the relevant National Policy Statement under the Planning Act 2008. [In our case, the Moorside site is the only land that has been approved in the National Policy Statement and not owned by another nuclear power developer.] We therefore have no ability to respond to locational signals in respect to our project – they can only help indicate (with other factors) whether or not our proposed power station can be built.

Given that the siting decisions have, in effect, already been taken, we are looking for an approach within Project TransmiT that, in accordance with nuclear power stations, does not give an advantage or disadvantage to particular sites that have been approved in the National Policy Statement. We think this is most likely to be effective in promoting a diversity of nuclear power developers.

In our case, the economics of the Moorside development could potentially be affected by the possibility of a very substantial local circuit charge (depending on the final configuration of the circuits and in particular any need for underground cabling and the location of grid supply points). We think it most unusual that the economics of an infrastructure project of national importance can be significantly altered by unrelated decisions about grid supply points.

The most straightforward solution from our point of view, would be to move to a fully socialised system, as this would allow the economics of our power installation to be detached from siting and detailed network design issues over which we have no control. However, we do understand that this might have some adverse impacts for consumers as a result of decisions by other generation projects where siting is, in practice, an open question. Of course, a socialised solution applying to nuclear plants alone would avoid this risk without applying additional costs to other generation types.

NU'GEN
NuGeneration Ltd
4th Floor, Cunard House, 15 Regent Street, London SW1Y 4LR T: +44 (0)20 3003 3330
Unit 16, Ingwell Hall, Westlakes Science & Technology Park, Moor Row, Cumbria CA24 3JZ T: +44 (0)1946 691 281
www.nugeneration.com

In terms of the specific models that are now under consideration, we accept Ofgem's view that improvements to the ICRP methodology are now required and we are broadly supportive of the improved ICRP option. We think that the variant where there is no expansion factor in respect of HVDC converter stations is most appropriate, by analogy with the treatment of transformers and other equipment. This variant of improved ICRP seems likely to provide a better long term geographical dispersal of generation plant within Great Britain.

Given the size of the investment involved and the long life of the assets, it is important to ensure a stable effect of transmission charges on power station economics and a level playing field between nuclear generators in the long term. A key component in achieving these results would be for the Government to configure the FiT CfD system so that the transmission charge costs were somehow captured or eventually treated as a pass-through item.

I attach a note commenting on the questions set out in the consultation. If you would like to discuss this, please do not hesitate to contact me.

Yours sincerely,

Olivier Carret
Chief Operating Director

ELECTRICITY TRANSMISSION CHARGING: ASSESSMENT OF OPTIONS FOR CHANGE

NUGEN response to questions

Chapter 4

Question 1: *Do respondents consider that we have appropriately identified and where possible quantified the impacts of the Project TransmiT options?*

We are broadly content with the modelling. The very high constraint costs in Scotland under the socialised scenario in the longer term are probably not very realistic because a way would be found to connect additional reinforcement.

Question 2: *Do respondents consider that there are additional impacts which we should take into account in the decision making process and, if so, what are these?*

Given that the locations of nuclear plants are fixed by the strategic siting assessment process, and the importance of the development of a significant nuclear generation industry for meeting the Government's binding carbon targets and energy security, we think that the potential impacts of various transmission charging approaches on the development of the nuclear generation sector should be taken into account.

Question 3: *Do respondents consider that we have appropriately identified the potential interactions of the project TransmiT options?*

As discussed in our covering letter, the interaction between the TransmiT options, the rules which specify whether a local circuit charge is payable and the terms of the nuclear CFD will make a significant impact on the economics of the proposed development at Moorside and indeed other nuclear plants.

We think these interactions need to be studied and taken into account in the analysis.

Question 4: *Do respondents consider that we have appropriately identified the likely impacts or consequences of these interactions?*

No. The interactions mentioned in our answer to question 3 were not considered.

Chapter 5

Question 1: *Do respondents consider that we have appropriately identified and taken account of the key sustainability issues?*

The development of nuclear power is an important sustainability target. We think that Ofgem should consider the points about siting and charging that we have made in our covering letter and above.

***Question 2**: Do you think there may be long term and strategic benefits associated with the development of HVDC technology, in particular the treatment of converter station costs for links that parallel the Ac network, which Project TransmiT modelling has not fully considered because of the timeframe of the modelling (i.e. 2030) and the limited nature of the bootstrap options?*

We think that HVDC technology may have wider applications than just the bootstrap options as overhead lines have become difficult to obtain consent for. Indeed some of the options for connecting our Moorside nuclear plant involve HVDC solutions. We would therefore agree that there may be long term and strategic benefits for the development of HVDC technology and believe that the chosen methodology should encourage it where feasible.

***Question 3:** Do you have any supporting evidence for a different treatment of the converter station costs for the planned bootstrap HVDC options?*

We note that the converter stations play a similar role to transformers and other apparatus and we think that this could be a reason for treating them in the same way (ie not including an expansion factor in respect of them).