

To generators, shippers,
suppliers, network companies,
consumers and their
representatives, the sustainable
development community, and
other interested parties.

Email: Project.Transmit@ofgem.gov.uk

Date: 16 December 2013

Dear Stakeholders

Project TransmiT: update on progress and next steps

Project TransmiT is Ofgem's review of electricity transmission charging arrangements. In August 2013 we published an impact assessment¹ (IA) that consulted on the options proposed to us by industry as part of Connection and Use of System Code (CUSC) Modification Proposal 213 (CMP213).

The IA set out our initial analysis of the options and our minded-to position to approve the option known as 'WACM 2' and to implement this change in April 2014. This was supported by our own qualitative analysis and modelling provided by National Grid. We indicated that, subject to consideration of responses, we would aim to reach a decision before the end of the year.

Consultation responses² have provided new evidence on the implementation date that has persuaded us to reconsider our preference for April 2014 implementation. We now consider April 2015 to be a more appropriate implementation date in principle (were we to accept) for the following reasons:

- We do not consider April 2014 brings any additional consumer benefits over April 2015 implementation as parties would not be able to respond any differently.
- Not allowing parties to respond to the changes ahead of implementation could increase hurdle rates for future generation investment if they have greater uncertainty about their ability to respond to future changes. This could adversely affect competition in the generation market and harm consumers.
- April 2014 implementation could lead to suppliers including greater risk premia in their fixed tariff offers to consumers if they are not given sufficient lead time ahead of significant changes. This could increase costs to consumers.

For these reasons, we will not be making a decision to implement any of the CMP213 proposals in April 2014. We hope that providing this information now provides greater certainty to industry and allows tariffs for 2014/15 to be finalised by National Grid.

Some of the consultation responses also contained significant new information that had not been presented before. This new information consists of alternative modelling of the

¹ <https://www.ofgem.gov.uk/publications-and-updates/project-transmit-impact-assessment-cmp213-options>

² Now published and available at the above link.

impact of the proposals, and evidence and arguments which question the cost reflectivity of the proposals. We are very disappointed that this new information was not provided earlier in the process.


We have been engaging with the parties concerned on these issues to gain a better understanding of the points that they have raised. However, given the nature of the information presented we consider it necessary to carry out further work to assess the analysis and evidence that has been presented to us. This is needed to ensure that we reach a properly informed and robust decision.

We will therefore continue our work in these areas. Given the importance of these issues and the late stage we are at in the process, it is incumbent on the respondents concerned to assist us further in a timely and transparent manner. We are now working towards making a decision in March 2014. This would allow generators to respond to any change within the notification period required by the user commitment arrangements ahead of any April 2015 implementation.

While we carry out this further work, our minded-to position for WACM 2 remains unchanged, save for the new preferred implementation date of April 2015.

Please contact Anthony Mungall (Project.TransmiT@ofgem.gov.uk) if you would like to discuss any of the issues in this letter.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian Marlee', with a stylized flourish at the end.

Ian Marlee
Senior Partner, Smarter Grids and Governance: Transmission