

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: 14 March 2014

Dear Stakeholders

Project TransmiT: update on progress and way forward

Project TransmiT is Ofgem's review of electricity transmission charging arrangements. In December 2013¹ we updated stakeholders on our progress in considering the responses to our August 2013 consultation² on the options industry proposed under Connection and Use of System Code (CUSC) Modification Proposal (CMP) 213. We set out that we had received significant new information late in the process that questioned the cost reflectivity of the proposal, and alternative modelling of the impact of the proposals. We considered it necessary to carry out further work and said that we were working towards making a decision in March 2014.

Since December 2013:

- We have engaged with the parties who raised the new information and reviewed the analysis and evidence they presented. We have also received further submissions from industry during this period.
- We have commissioned consultants to update the modelling provided by National Grid that was used in our consultation, primarily to provide better modelling of the proposed capacity market under the Electricity Market Reform proposals.

This work has given rise to new issues which are important factors in reaching a decision. At this stage, we have not changed our minded-to position to approve the option known as 'WACM 2'. However, we consider that it is important that we give stakeholders the opportunity to comment on our further analysis. We therefore plan to issue a consultation this spring for a four week period ahead of reaching a final decision as soon as possible thereafter. We consider that this is necessary in order to ensure that our process is robust.

In making this decision to consult again we took into account the impact on the potential implementation date. As we said in December 2013 letter, we consider that it is important to allow generators to respond to any change within the notification period required by the user commitment arrangements, and to give suppliers sufficient lead time ahead of implementation to avoid them building risk premiums in future for fixed tariff offers to consumers. We consider these issues are important in order to protect the interests of consumers. This means our current view is that, were we to accept, we are now minded to implement in April 2016.

¹ <https://www.ofgem.gov.uk/publications-and-updates/project-transmit-update-progress-and-next-steps>

² <https://www.ofgem.gov.uk/publications-and-updates/project-transmit-impact-assessment-cmp213-options>

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 blue ink, appearing to read 'M. Crouch', with a long horizontal flourish extending to the right.

Martin Crouch
Senior Partner, Smarter Grids and Governance: Transmission