

Andrew Wright
Interim Chief Executive
Ofgem, 9 Millbank
London
SW1P 0ET

12 February 2014

Dear Andrew Wright,

DELAYS TO CHANGES TO TRANSMISSION CHARGING

The organisations below all have an interest in ensuring the transition to a low carbon electricity sector.

We have long held serious concerns with the 'status quo' transmission charging formula. It is outdated for today's technologies and penalises them for their 'best fit' locations. Levying charges on a capacity formula (MW), not actual use, further penalises renewables and peaking plant such as hydro, both of which are critical in the transition to a low carbon economy.

Having followed the development of Project TransmiT with great interest, and seeing the Authority's 'minded to' statements in August, we had looked forward to the implementation of the new and fairer transmission charging arrangements in April this year. It was therefore very disappointing to see the implementation date put back by a year to 1 April 2015.

We remain confused that third-party information which appears to be a repackaging of existing modelling, and represents highly unlikely outcomes has contributed to this delay. We firmly believe that this modelling approach is spurious and should not detract from properly applying the Code objectives. There appears to be widespread agreement that the Authority's 'minded to' position is more cost-reflective than the current much criticised 'status quo' charging methodology and therefore no reason to delay implementation.

It is our firm conclusion that the Authority has all the information it needs to approve the Authority's 'minded to' position. We understand that if the proposed change is not approved by mid March that the April 2015 implementation date may even be in jeopardy. We therefore urge the Authority to grant approval before mid March, to ensure that the April 2015 implementation date can be met and the industry can have certainty around these positive reforms.

