



Jon Parker
Electricity network access reform
Ofgem
10 South Colonnade,
Canary Wharf,
London, E14 4PU

Alastair Lamond
Manager, Trading & Commercial
InterGen UK
81 George St, Edinburgh
EH2 3ES

19 September 2018

Dear Jon,

Getting more out of our electricity networks by reforming access and forward-looking charging arrangements

Thank you for the opportunity to respond to the consultation on launching a Significant Code Review (SCR) on network access and forward-looking charging arrangements. InterGen remains the only genuinely independent generator active in the GB market with a track record of developing, constructing and operating large scale thermal power generation projects. We have been active in the market since the 1990s and therefore bring a unique perspective to issues regarding the GB electricity market.

With significant ongoing changes in the energy system we recognise the need for a review of network charging arrangements and support Ofgem's intention to launch a SCR. The consultation document highlights a number of work streams already underway, for example the Targeted Charging Review (TCR) which considers changes to the residual electricity network charges, the Energy Networks Association's Open Networks Project, and the Gas Charging Review (GCR). We believe that it is of utmost importance that the different projects and reviews which may have an impact on network charging are aligned and coordinated. Due consideration must be given to the whole system impact in order to meet the objective of efficient utilisation of energy networks. Developing reflective charging and therefore providing a level playing field is also key in reaching this objective.

We have outlined our response to the consultation in appendix 1, attached below.

Yours sincerely,

A handwritten signature in black ink, appearing to read "A Lamond".

Alastair Lamond
InterGen UK

Appendix 1

Level playing field

Baringa highlights in its report that the current charging arrangements would mean that the costs of required reinforcement would not necessarily be charged to those users who are creating the requirement. The objective of a potential SCR should be to mitigate distortions and introduce network charges that are reflective, fair and transparent. This will ensure the best outcome for consumers and efficient utilisation of the networks. It is therefore appropriate that the review focuses on how to better align the charging principles across network levels to ensure that network users' charges are accurately reflecting impact on the whole system regardless of where they are connected. Transparency of constraint costs and affected areas will also be key to encourage the desired behaviour of all network users and incentivise required network reinforcements.

Whilst Ofgem is proposing a comprehensive review of network charging arrangements, which we support, it is somewhat surprising that the treatment of electricity interconnectors is completely disregarded in the review outline. Flows through interconnectors are set to increase with several new projects under construction and in planning, causing their own constraint and system balancing issues where they connect to the GB network, particularly in the southern English network. This will likely, almost certainly, require expensive network reinforcement¹. Electricity imports through interconnectors are not subject to TNUoS or BSUoS charges, despite the evident impact on the network. We recommend that Ofgem extend the scope of the SCR to include a review of interconnector network charges. Part of this could include a more holistic assessment of BSUoS although we note that this has already been considered by industry through CUSC modification proposal CMP250, which was sent to Ofgem for decision in February 2018.

Whole system consideration

We recognise that not all charging arrangements could or should be reviewed under one SCR. However, it is important to consider whole system impact, across both gas and electricity, of any proposed changes. For example, gas powered electricity generators face significant uncertainty going forward with ongoing gas and electricity transmission charging reviews and may end up in a situation with different firmness or availability of gas and electricity transmission access. Alignment of network charges will be important so not to undermine new investments or create enhanced risks, perceived or otherwise. It is, therefore, also essential that any SCR consider a wider policy context, for example, impact on Capacity Market participants. Uncertainty around firmness of access or unclear and changing forward looking charges is likely to influence participant's auction bidding strategy.

Whole system consideration is important in developing a fair and reflective charging framework. As a result, we do not believe that any of the proposed areas of work should progress outwith the umbrella of any SCR. There is already significant crossover between the TCR, the GCR, the Open Networks Project and the

¹ <https://www.nationalgrid.com/sites/default/files/documents/ETYS%202017.pdf>

potential access and forward-looking charging SCR. However, it is not clear how the different reviews and projects correspond. As such, we would argue for an increased focus on a whole system approach and that it would be appropriate to merge the ongoing work streams under one authority. The work on the GCR is a telling example of an issue not suitable for the standard industry change process and an issue where Ofgem must take a more active role. The Charging Futures Forum (CFF) has worked well as a platform during the TCR and ensures that all stakeholders can engage meaningfully. We see an opportunity for the CFF to be utilised for all ongoing work across networks, with the ESO continuing to take a leading role, albeit with a broader scope, whilst Ofgem maintain general oversight.

Transitional arrangements

We recommend that Ofgem include, from an early point in the proposed SCR, consideration to possible transitional arrangements or grandfathering. Major changes to charging regimes are likely to have an impact on most customers and wholesale market participants and with reasonable notice periods, one would expect affected parties to be able to adjust effectively. However, with the Capacity Market offering 15 year agreements for certain capacity providers, special arrangements may be required to cushion impact on projects where investment decisions were based on significantly different charging assumptions.