

Mark Perry
Electricity Network Investment
National Grid House
Warwick Technology Park
Gallows Hill
Warwick

Centrica Plc
Millstream
Maidenhead Rd
Windsor
Berkshire SL4 5GD
www.centrica.com

4th June 2010

Dear Mark,

Centrica welcomes National Grid's consultation and would very much welcome further opportunities to comment as the Review becomes more significant in nature. We note that the proposals are rather mixed at the moment with implementation timescales varying significantly. We also note that not all of the former working groups came to firm conclusions or finished their deliberations. Additionally, the proposals listed in the "Update and Consultation report" are not always easy to infer from the Working Group reports.

These factors have contributed to what we suggest is a rather disjointed consultation which has not been easy to appraise and comment upon in the timescales. We have provided some initial comments but would like to be involved on an ongoing basis as the review and proposals become more focused.

As an overarching comment, the proposals lack any kind of assessment on the impact on grid users, and we would ask that this is considered as a priority. The TOs are the main parties implementing the SQSS, but generation and demand is affected by any decisions that TO's make which in turn are driven by the provisions of the SQSS. Therefore we feel that the TOs are best placed to start working through the implications for grid users. As charging, access and compensation proposals are further developed it should be more straightforward to actually quantify commercial impacts, but initial views on commercial impacts are, we believe, an essential part of this review process.

With the possible exception of the Working Group 2 proposals on generation connection criteria, the proposals are to-date relatively low key. We do not yet have the feel of a fundamental review, and we note that industry was expecting the standard to be subject to much more comprehensive challenge than is evident from the firm proposals to-date. We

acknowledge the discussions on more fundamental reform, and would re-iterate our view that governance reform may be necessary to reach firm conclusions on these more difficult issues.

We have commented on the individual proposals in the appendix, and as always, if you have any comments or queries on this response, please contact me on 01753 431052.

Yours sincerely,

Sarah Owen
Commercial Manager
Centrica Energy

Appendix – specific comments on individual proposals

Basis of generation capacity

The proposal is to implement the Transmission Access Review (TAR) concept of Local Capacity Nomination (LCN) - We agree that this will fall out of the TAR CUSC Amendments, although note that they are all on hold pending Ofgem decisions and that they may need to be refreshed via new Amendments. Certainly the industry would benefit from a re-appraisal of where LCN fits since intervening developments.

Minimum generation connection resilience

We welcome the development of flexible connection design criteria, and agree that the access and compensation arrangements need some careful consideration. We note that this is a fundamental shift in the role of the SQSS, namely that what would have been customer choice is now being enshrined in the SQSS. The SQSS is therefore evolving into a guideline document rather than a standard; it also becomes a design document for wider use than primarily the TOs.

We suggest that the connection categories would benefit from diagrams as the explanations alone are not explicit in all cases.

The full implications of these changes need to be better understood. Replacing customer choice with default connection designs could be helpful, but if it boxes off generators into inflexible categories this may not. Because LCN, and load factor are introduced, and, because the designs consider groups of generators, the application of the proposal in practice is not without issue, and will depend very much on interpretation. We suggest, the implications for transparency should also be considered.

Furthermore, we would like to better understand how these changes would materially affect grid connection negotiations and timescales. Customer choice could be reasonably straightforward, but may encounter negotiation issues. There does not appear to be any hard and fast rules on when and where customer choice can be exercised and often it hinges on TOs own interpretations and priorities. How will these SQSS changes impact on this situation?

The consultation does not give any timescales for progressing charging and compensation proposals. We suspect that it is this element of the proposals that will be of most interest, especially if the SQSS changes themselves do not have any material impact on grid user's day-to-day business.

Exporting GSPs

We would like some additional time to appraise the proposals. The implications for grid users are not entirely clear from the consultation material.

Regional generation connection variations

We understand these to be housekeeping changes with no impact on users. If National Grid has a different opinion, and believes that there would be an impact, we would be grateful if this is communicated.

Group demand estimation, generation contribution to demand security

We would like some additional time to appraise the proposals around embedded generation and demand security. The implications for grid users are not entirely clear from the consultation material. In any event, we agree with Working Group 2 that there is more work in updating assumptions on the contribution that embedded generation makes to demand security.

Introduction Modification

This appears to be a proposal to account for the fact that some connection designs will not form part of the Main Interconnected Transmission System (MITS) – specifically 132 KV radial circuits. Again, it is far from clear what the implications of this change are. The definition of MITS is important to grid users where it defines, for instance, how much reinforcement is needed, or connection options under connect and manage that need to reach the MITS. The difficulty lies in the various definitions of MITS. Is MITS under Connect and Manage the same as MITS referred to in this consultation? Furthermore, the concept of a Grid Entry Point (GEP) is not entirely clear either, and the term is, anecdotally, not widely used by the Scottish TOs.

Working Group 4 conclusions on planning and operational criteria

We welcome the review of contingency criteria and our understanding is that the proposals are for the most part relatively benign changes to secured events. In general, we understand the changes to be a relaxation of the contingencies but again would welcome some impact assessment on the materiality and whether the changes will result in lower or higher levels of asset build.

Use of dynamic ratings

We are very supportive of the use of dynamic ratings to make best use of existing assets. We note at the moment that this is for operational / commercial reasons rather than to reduce future investment in assets.

Use of intertrips

Centrica notes the Group's conclusion that *“that intertrips do not provide an alternative to reinforcement at time of winter peak, except in limited circumstances, but should be considered as an option in ensuring year round operating criteria can be met.”*

The fundamental nature of this review is in part to question what should drive investments. The results of the review may suggest that a more year-round assessment should replace winter peak as the principal basis for asset investment. This conclusion should therefore be reviewed as the SQSS review moves more into its “fundamental” aspects.

Demand management

We support demand management and generally suggest that it is underutilised. The review appears to be concluding that the SQSS is not the reason for this underutilisation, and therefore we further suggest that analysis should be carried out to investigate the utilisation limit. We suspect that the more fundamental aspects of the review which question the level of security that demand is willing to pay for may alter this initial conclusion.