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Consultation GB ECM- 009

For the charging arrangements associated with SQSS design variations based on customer requests

Dear Tom,

Thank you for the opportunity to respond to the above pre-consultation. The following comments are provided on behalf of the RWE group of companies including RWE Trading GmbH and RWE Npower plc.

RWE continue to believe that arrangements are required to reflect the capital savings associated with design variations. We believe that the charging methodology remains the preferable method of recognising the capital savings but have concerns about the approach outlined in this consultation.

This consultation refers to the SQSS design variations based on “customer requests”, since the only design variations identified in the SQSS are those attributable to “customer requests”. However, it should be recognised that, in practice many current design variations are effectively decided upon by the SO as only a design variation connection could be provided in a timely fashion. This reinforces the need for suitable and equitable arrangements.

We believe that to provide a discount that gives an economically efficient signal it must be derived in a fully cost-reflective fashion. Any generic approach will necessarily lead to inaccurate signals in the majority of cases. Ofgem indicated in their decision to veto GB ECM-06 that the circuit discount in that instance did not compare well to the actual costs savings from building a single circuit, following a review against new build cost information provided as part of the Transmission Price Control Review. Given the circuit discount proposed here has similarities to that proposed to GB ECM-06 we believe this will remain the case.

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To be cost-reflective it must be based upon the actual capital savings realised through a design variation connection and, as this is likely to vary significantly between connections, this will require assessing on a site-specific basis. Similarly, if the discount is to be cost-reflective it must reflect all capital savings thus including substation assets. We recognise that care is needed when applying this method of treating substation costs as a specific category within the current Charging Methodology. This may indicate that socialising substation costs in general is not cost-reflective and so it may be worth reviewing whether this appropriate in the existing TNUoS charging regime.

Care must be taken to ensure that the locational signal for the use of the remaining SQSS-compliant transmission system remains intact, with the discount reflecting the capital savings for the non-SQSS compliant connection only. This should lead to a user being liable to a cost-reflective TNUoS charge combined with a cost-reflective site-specific discount, to give an overall economically efficient signal.

Please feel free to contact me to discuss this response in more detail.

Yours sincerely

Andy Manning
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