

Mathew Hofton
Electricity Charging & Access Development
National Grid Electricity Transmission plc
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA



24 January 2008

Dear Mathew,

Pre-consultation GB ECM-10- TNUoS Generation Zoning Criteria

EDF Energy is pleased to have the opportunity to comment on National Grid's consultation for generation TNUoS zoning.

Present practice of a +/- £1/kW generation zoning criterion creates a local cross-subsidy between generators, which is assumed to be a trade off for more stable and predictable tariffs.

Firstly – the cross subsidy is significant: the +/- £1/kW would result in two 1GW generators, paying the same charge even if one was at very near the + £1/kW cap and the other very near the - £1/kW collar. There is a cross-subsidy: the generator near the cap should pay £1m more than and the other £1m less than the average zonal charge.

We are not in favour of this average zonal charge becoming any greater as this would introduce a larger cross-subsidy. We would accept nodal charging, removing this cross-subsidy.

Secondly – it is a myth the +/- £1/kW zoning criterion results in stable and predictable tariffs. It does exactly the opposite; in creating a cliff edge where a charge may change significantly should NGET decide to change the generation zones upon the connection of a new generator, changing price control or the use of new expansion constant data.

In summary, we would prefer nodal generation charges, otherwise they should remain under the +/- £1/kW criterion. This should be rigorously enforced when generators connect (or disconnect) to the system.

If you have any questions on the above comments, please do not hesitate to contact me.

Yours sincerely,

David Scott
Electricity Regulation Analyst,

EDF Energy
40 Grosvenor Place
Victoria London SW1X 7EN

Tel +44 (0) 20 7752 2524
Fax +44 (0) 20 7752 2384

edfenergy.com



Energy Branch

1. Given each of the examples presented in Section 4.1, whether the following scenarios should be considered as an exceptional circumstance:

a) The commissioning of new generation which does not meet the relevant zoning criterion of an existing zone.

YES – this should necessitate a new zone – such as for the connection of generation at Pembroke or Skye – this is easy to predict by using the model – i.e. one can calculate a nodal charge and if it does not fit within the +/- £1/kW zoning criterion applied to the current zone, one can estimate a new zonal charge.

b) The commissioning of new generation which meets the criterion of an existing generation zone, but has an impact such that an existing generator no longer meets the relevant criterion of that zone.

YES – this should necessitate a new zone – this is what is really difficult for generators to establish. It makes the zoning criterion's trade-off for predictable and stable tariffs, worthless as the supposed predictability is not a real phenomenon.

c) The decommissioning of generation which has an impact on existing generation such that they no longer meet the criteria of that zone.

YES – this should necessitate a new zone, such as for the disconnection of Magnox stations: the impact of this on the zones is impossible to predict by using the model.

2. Whether additional criteria is necessary, such as the consideration of an additional range (£0.50/kW?) within which nodes must remain in order to remain within the relevant generation charging zone.

NO.

3. Whether major industry reform impacting on a Users tariff should constitute an exceptional circumstance.

YES – the aim should be to have cost-reflective charges under the prevailing regulations.

Secondly, this consultation seeks industry views on the current generation zoning criterion of ±£1.00/kW, particularly:

4. Whether the current ±£1.00/kW criterion should be reviewed.

YES – it should be scrapped.

A good example of the +/- £1/kW zoning criterion failing generators was the treatment of Sutton Bridge and Spalding power stations in setting the zones for 2007-08. These stations are at the southernmost point of a zone. In NGET's Condition 5 report of Nov 2006, (outlining forecast locational charges for the forthcoming years), a revised map of generation zones was presented to industry. In this map, Spalding and Sutton Bridge were associated with a more southerly zone, thus reducing charges by ~ £1/kW. However upon the issuing of draft TNUoS tariffs in December 2006, the zones did not change after all, as the expansion constant had changed (something impossible for a generator to forecast) for the forthcoming price control.

5. Whether the current ±£1.00/kW criterion remains appropriate, but should be inflated annually in line with RPI.

NO it is inappropriate, more cross subsidy would be introduced.

6. Whether the current $\pm£1.00/\text{kW}$ criterion remains appropriate, but should be index-linked to the Expansion Constant and Global Locational Security Factor calculations.

No – too complicated.

7. Whether consideration should be given to removing the existing generation zoning criterion in favour of the existing demand zones, with no periodic review.

NO it is inappropriate, more cross subsidy; GSP Groups have nothing at all to do with investment in the transmission system to accommodate new generators.