

National Grid House
Warwick Technology Park
Gallows Hill, Warwick
CV34 6DA

Email to: david.corby@nationalgrid.com

30th January 2015

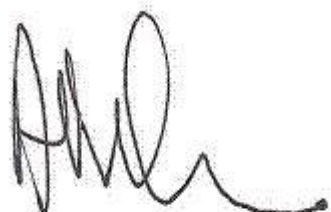
Treatment of Anticipatory Investment in Determining the Local TNUoS tariff for the Western Isles Link

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users.

Summary

Our response is to support the proposed option 1 approach. Answers to your questions, are set out in the attachment to this letter. Should you wish to discuss any of the issues raised in our response or have any queries, please contact Paul Mott (0203 126 2314), or me (01452 658415)

I confirm that this letter and its attachment may be published on National Grid's website

A handwritten signature in black ink, appearing to be 'Paul Mott'.

ransmission arrangements

Attachment

Treatment of Anticipatory Investment in Determining the Local TNUoS tariff for the Western Isles Link

EDF Energy's response to your questions

Q1. What are your thoughts on the options presented for treatment of proposed anticipatory investment with respect to the Western Isles link?

We believe that the appropriate principles for calculation of the "expansion factor" should be based on the calculation of the "expansion factor" for generators connected with over-sized AC assets. AC users only pay for the capacity they require, with any oversizing (e.g. if transmission assets being available in a limited number of set ratings or due to anticipatory investment) being socialised via the generation and demand residuals. For example, if a 50 MW AC generator made use of a local transmission asset with a rating of 250 MW, the generator would pay local TNUoS based on 50 MW AC Transmission Entry Capacity (TEC), rather than on the 250 MW AC rating of the transmission asset – the AC-connected generator would pay 1/5th the cost of the oversized asset. These principles are not documented *per se* in the CUSC, but are implicit in the incremental nature of the TNUoS charging methodology, i.e. in its assumption that the network can be expanded incrementally.

Applying this principle used in calculating AC expansion factors to the DC island connection, tells us that option 1 is the best approach.

Q2. Do you believe that such treatment of anticipatory investment should be more explicit within Section 14 of the CUSC?

If a clear letter of conclusion, following this open letter consultation, is issued to explain that option 1 is the approach being taken, and how that is based on the approach for AC networks, that should be sufficient; there is value in resolving this matter soon, to remove uncertainty for island-based developers for whom this is a material issue.

Q3. Do you have any other thoughts or comments relating to the treatment of anticipatory investment either in the calculation of the local circuit tariff for the Western Isles link or more broadly in the TNUoS charging methodology?

No

EDF Energy
January 2015

