



4 December 2007

Tom Ireland
Electricity Charging and Access Development
National Grid Electricity Transmission plc
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

Dear Tom,

GB-ECM09: Consultation Document

As you are aware, Wind Energy submitted a response to National Grid's GB ECM-09 consultation on 23 November. However, since submitting our response, an additional important issue, which we consider it is appropriate for National Grid to have regard to in assessing GB ECM-09, has come to our attention. We therefore request that National Grid considers this addendum to our initial consultation response.

Our response noted that: "Satisfactorily resolving this long standing issue will also remove the current penalty faced by parties which opt for a less secure connection design". We wish to expand on the nature of this penalty in light of recent experience.

Design variations and connection assets

A key feature of GB ECM-09 is the change in the treatment of assets which are constructed in response to a choice by customers. At present, assets which are constructed in response to a request by a user will be treated as connection assets. This treatment appears perverse given that, were more assets constructed to facilitate compliance with the GB Security and Quality of Supply Standards (GB SQSS), the cost of the assets would be included in National Grid's Regulatory Asset Base (RAB) (assuming they were efficiently and economically incurred) and the costs would be recovered via use of system charges.

Requirement to secure connection assets

The existing treatment of design variations as connection assets has a number of consequences which fail to facilitate competition and do not promote efficient decision making. The Connection and Use of System Code (CUSC) requires Users to provide security against the cost of connection assets throughout the life of those assets. However, no such requirement applies to infrastructure assets. In our view there is little evidence to suggest that there is a material difference in risk between the two classes of assets and, as such, we struggle to understand the rationale for the approach.

Consequences of differential treatment

In our view National Grid's treatment of design variations as connection assets is discriminatory and inconsistent with its licence obligations to operate in an economic and efficient manner and the charging methodology objectives. We consider that the differential treatment may be expected to increase the risk that users choose not to opt for a compliant connection, even where this would be the most efficient and economic approach, and is likely to increase the cost to GB consumers.



Issues to consider

While we note that this treatment may be addressed were GB ECM-09 implemented, we consider that there is a case for National Grid to examine the difference in treatment – in particular the requirement to secure the cost of design variations - independently of the GB ECM-09 process. In particular, we consider there may be a need to question whether the level of security required by National Grid from Users opting for SQSS compliant and non-compliant connections is proportionate to the level of risk imposed by both categories of connection.

We hope that these comments are useful and urge National Grid to consider them fully in developing a proposal to be submitted to the Authority. We would be happy to discuss these issues further if it would prove useful.

Yours sincerely,

Michael Davies
Managing Director