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Dear Mr Hofton

### **TNUoS Generation Zoning Criteria**

Welsh Power are the owners of Uskmouth Power Station and are also developing Severn Power. We welcome the opportunity to comment on this paper as we feel that TNUoS charges are important in sending signals about the location of generation as well as providing a relatively stable framework for National Grid to raise its revenues.

Welsh Power believes that the criteria for judging "exceptional circumstances" need to be set out for the whole industry to understand. It is particularly important that developers can get a feel for the likely charges (and thus zone) that their new plant will be subject to. It is also important for business planning that incumbent generators know what impact a new plant is likely to have on their own plant. By setting out these criteria now and then putting out the 5 year forecasts taking account of this information, NG will improve the transparency of TNUoS charges.

Of the three examples of "exceptional circumstances" outlined in the document Welsh Power believes all three could be considered as reasonable triggers for a change in zones. We feel that option (b) is likely to cause the most uncertainty as it will be difficult for an individual plant to know that a new plant may force them out of the zone they are in. NG may therefore want to provide some warning to plants that they believe may be impacted by zone changes as a result of the exceptional circumstances defined.

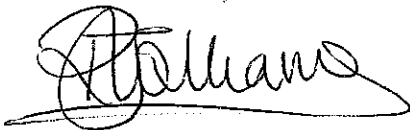
Welsh Power supports the review of the current  $\pm£1.00/kW$  generation criterion as we feel that an increase at least in line with inflation seems reasonable. This would add some stability to the regime at a time when we may see further changes due to new plants connecting. At the same time it would be reasonable to change the criterion within which nodes must stay to remain in the relevant generation charging

one. NG's proposals seem reasonable, but clearly the  $\pm£1.50/\text{kW}$  would need to be kept under review and in order to keep things more simple it may be best to only increase/decrease the criterion in say 10p denominations. The treatment between price controls can be considered at the time of the control, but by using an index-linked to the Expansion Constant and Global Locational Security Factor calculations would be sensible in principle.

Welsh Power believes that major industry reform impacting on tariffs should constitute an exceptional circumstance. However, if the changes have significant material impact on specific players a phased implementation should be considered. In the case of BETTA one may say that players could see this coming, but they may not have had a feel for the scale of changes. NG should be required to make try to provide forecasts on potential market changes as soon as it can to help generators plant their businesses.

I hope these comments are helpful.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rebecca Williams', with a long horizontal flourish extending to the right.

Rebecca Williams  
Head of Trading