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Dear Tom

GBECM-11: Charging Arrangements for Generator Local Assets

Welsh Power is the owner of Uskmouth Power and are building Severn Power. Welsh Power appreciates National Grid's approach of publishing this pre-consultation paper, prior to a formal consultation on the final proposals. We welcome the opportunity to comment on National Grid's three options for modifying the charging arrangements, with the aim of improving cost reflectivity of assets local to generation connection.

Welsh Power would like to stress the importance of maintaining the Plugs Connection Charging Methodology, implemented on 1 April 2004. Under the Plugs model, the cost of connection to the transmission system represents the cost attributable by a single user. We believe the Plugs methodology, which involves treating shared or shareable assets as infrastructure, promotes competition in the provision of new connections and promotes competition in the wholesale market by ensuring that all generators can access the transmission network on equivalent commercial terms.

Due to supporting the preservation of the Plugs model, we do not believe it is appropriate for the option involving a return to a deepening of the infrastructure/connection asset charging boundary to be taken forward. This option has the potential to destroy the benefits derived from the Plug model, whilst also introducing new disadvantages. Within the consultation paper National Grid warns that this particular option, introduces practical difficulties of implementing a consistent connection boundary, does not achieve cost reflectivity in all instances and introduces significant risks upon generators through the TO decisions on wider system issues. As a result of the deeper connection charging boundary option only increasing the accuracy of local asset charging in certain scenarios, whilst creating numerous adverse effects, we believe this option should be removed from the formal consultation on the final proposals.

Welsh Power believes that the specific treatment of generation assets option should be the only approach that is further analysed as a potential final proposal. The option maintains the advantages gained from the Plug methodology, in particular

protecting generators from the cost of wider system reinforcements and the costs imposed by other third parties. The sub-option of marginal investment for generation provides the appropriate balance between the complexity of the methodology and achieving cost reflective local charges. We would like to emphasize the importance of greater transparency within the connection charging process, allowing generators to clearly view how these charges have been applied is vital to encouraging new projects.

With this particular sub-option and any other option that is presented within the final consultation, we would like National Grid to explain how it will ensure transparency is going to be achieved especially when dealing with shared assets. It is appropriate for National Grid to provide details of the assumptions it has made with regards to shared assets when providing local cost charges to individual generators. We do not believe it is appropriate to introduce more complicated principles and reduce transparency like the specific treatment of distance to zonal hub option creates.

Please do not hesitate to contact me on 0207 659 6626 if you wish to discuss this submission.

Yours sincerely,

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

Rebecca Williams
Head of Trading