



## **Responses to Charging Consultation**

### **GB ECM14**

#### **Consequential impact of CUSC amendment proposals:**

**CAP161 Transmission Access – System Operator  
Release of Short-term Entry Rights**

**CAP162 Transmission Access – Entry Overrun**

**CAP163 Transmission Access – Entry Capacity  
Sharing**

Ref	GB ECM14
Issue	1.0
Date of Issue	20 April 09
Prepared by	National Grid

This report contains a summary and copies of any representations received following circulation of the Consultation Document (circulated on 13 March 2009, requesting comments by 10 April 09).

### Summary of representations

Reference	Company	Summary of response
GB ECM14- CR-01	RWE	<p>The charging arrangements are integral to the individual and collective effectiveness of the CUSC proposals.</p> <p>CAP161: No specific comments.</p> <p>CAP162: Recognise that Simple could be used as an interim proxy, however would prefer a fully developed and tested marginal approach given concerns about the cost reflectivity of the simple approach. No need to cap PN contracts.</p> <p>CAP163: Support sharing based on nodal marginal costs. Using a simple methodology associated with sharing carries a risk of serious unintended consequences.</p>
GB ECM14- CR -02	EDF	<p>CAP161: Agree with proposals. Revenue concerns should be addressed via SO incentives.</p> <p>CAP162: Support Simple, but recommend a post implementation review. Concerned about the subjectivity of the Cost Recovery model. Do not support the marginal methodology. Concerned about the interaction with GB ECM18.</p> <p>CAP163: Agree with the proposals. Support the one off charge approach for exchange enhancements.</p>
GB ECM14- CR -03	BWEA	<p>General concern regarding the interaction of governance between CUSC and Charging. Concerned about the interaction with GB ECM18 Locational BSUoS. Concerned about ongoing change in arrangements.</p> <p>CAP161: No specific comments.</p> <p>CAP162: Consider that the use of TNUoS zones rather than specific Overrun zones has not been discussed in detail with the Industry.</p> <p>CAP163: No specific comments.</p>

GB ECM14- CR -04	E.ON UK plc	<p>Largely agree with the proposals, some specific comments and concerns raised.</p> <p>CAP161: Agree with recommendation on charges – a greater understanding on the recovery of SO fixed costs would be helpful. Agree that CLDTEC should include a risk premium; greater transparency of this would be useful. Note the interaction with incentives.</p> <p>CAP162: Support the Simple methodology using BSUoS – RCRC. RCRC is a close measure of the deemed cost energy balancing given the inherent subjectivity. General support the proposals for bid or offers, however concerned that the effect may limit options open to the SO. Agree with the use of TNUoS zones under the Simple methodology.</p> <p>CAP163: Agree with the one off approach, providing that the actual charge takes account of any shared benefit.</p>
GB ECM14- CR -05	Welsh Power	<p>CAP161: Success of SO release is dependant on SO incentives. The SO should have a high exposure, thus ensures that it does everything to mitigate potential cross subsidy. Support CLDTEC price including a risk premium to reflect the potential forecasting errors.</p> <p>CAP162: Supports the simple methodology. The ability to forecast the charge aligns with the principle of purchasing access to facilitate Balancing Services, including offers.</p> <p>CAP163: Support for a one off change for enhanced exchange rates.</p>
GB ECM14- CR -06	Centrica	<p>CAP161: No specific comments.</p> <p>CAP162: Supported CAP162 from outset as a 'no regret' option. However a move to marginal pricing may reduce its usefulness. Do not support the Simple methodology. Support for Cost recovery methodology as it is based on the 'actual constraint costs'. Support for the proposed treatment of bids and offers. Support negative pricing. Draft overrun zones are more cost reflective so should be used. Largely support proposed use of II and SF data, however should use latest available data where it is available.</p>

		CAP163: Support for either the 'one off' or the TNUoS differential option for exchange rate enhancements. If works have wider benefits they should be funded through TNUoS.
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### **Copies of Representations to the consultation**

Patrick Hynes  
National Grid Electricity Transmission Ltd  
National Grid House  
Warwick Technology Park  
Gallows Hill  
Warwick  
CV34 6DA

Name Bill Reed  
Phone 01793 893835  
E-Mail bill.reed@rwe.com

8th April 2009

Email: [balancingservices@uk.ngrid.com](mailto:balancingservices@uk.ngrid.com)

**Charging Consultation Document GB ECM-14 Consequential Impact of CUSC  
Amendment Proposals: CAP161 Transmission Access – System Operator Release of  
Short-term Entry Rights CAP162 Transmission Access – Entry Overrun CASP163  
Transmission Access – Entry Capacity Sharing**

Dear Patrick,

Thank you for the opportunity to comment on the charging consultation document GB ECM-14 Consequential Impact of CUSC Amendment Proposals: CAP161 Transmission Access – System Operator Release of Short-term Entry Rights CAP162 Transmission Access – Entry Overrun CASP163 Transmission Access – Entry Capacity Sharing. This response is provided on behalf of the RWE group of companies, including RWE Npower plc, RWE Supply and Trading GmbH and RWE Innogy.

As we stated in our previous response, we believe that the charging arrangements are integral to the effectiveness of each of the CUSC amendment proposals individually and also collectively.

With regard to CAP162 Entry Overrun we believe that a cost reflective charge should be introduced. We recognise that the “simple” methodology (Option 2) could be used as an interim proxy for constraint costs in order to provide an approximate targeting of these costs on users that have caused them. However, our preference is for an enduring and robust marginal methodology which would seem to offer the most economic and efficient outcome in relation to the costs of short-term access at various locations on the transmission system.

RWE Supply & Trading  
GmbH  
Swindon Branch  
Windmill Hill Business  
Park  
Whitehill Way  
Swindon SN5 6PB  
United Kingdom  
T +44(0)1793/87 77 77  
F +44(0)1793/89 25 25  
I [www.rwe.com](http://www.rwe.com)  
Registered No. BR 7373  
VAT Registration No.  
GB 524 921354  
Advisory Board:  
Dr Ulrich Jobs  
Board of Directors:  
Stefan Judisch (CEO)  
Dr Bernhard Günther  
Dr Peter Kreuzberg  
Richard Lewis  
Head Office:  
Essen, Germany  
Registered at:  
Local District Court,  
Essen

*Q1 National Grid is interested in views on the treatment of bids and offers for the purposes of overrun volume. Please indicate whether you agree with the principles described in table 2 and why; and also whether there is justification for different treatment for each of the models (Simple, Cost Recovery and Marginal).*

We agree with the principles established in Table 2. We also support the introduction of a marginal nodal methodology since this represents the most economic and efficient outcome in terms of reflecting the costs of overrun on users.

In the context of a PN capping contract we would observe that such arrangements are designed to restrict the physical output at a level that is lower than the firm contracted entry capacity defined by a user's TEC. Consequently we do not believe that there is a requirement to adjust for such contracts in calculating any overrun volumes.

While we recognise that the "simple" methodology could be used as an interim proxy for constraint costs we are concerned that the approach based on BSUoS - RCRC targets zonal "system" costs on users rather than specific constraint costs. This increases the risks for users that the "simple" methodology could result in uneconomic and inefficient outcomes.

*Q2. National Grid is interested in Industry views on the zones proposed and if parties agree that TNUoS generation zones are justified for the Simple and Cost Recovery methodologies.*

As noted above we believe that the economic and efficient solution is a nodal marginal methodology. The proposed zonal simple approach can only result in an approximate cost reflective charge for "system" costs, which is better than the current base line but carries the risk of inappropriate charging for specific constraint costs

*Q3. National Grid is interested in Industry views as to the acceptability of using II data for the scalar and initial charge and SF data for the final charge, but keeping the scalar based on II data*

The issue of II data for the scalar and the SF data for the final charge illustrates the problems associated with the targeting of system costs under the simple methodology. In particular the approach as outlined indicates that it is difficult to arrive at "accurate" scalars and the approach based on II or SF can only provide an approximation to the accurate reflection of costs. We do not believe that the difference in accuracy of the scalars between the two settlement runs outweighs the inaccuracy of using this approach when compared to the marginal approach.

*Q4 National Grid is interested in Industry views as to the acceptability of using II data for the scalar and initial charge and SF data for the final charge, but keeping the scalar based on II data*

See answer to question 3.

*Q5 National Grid is interested in further Industry views on the issue of negative pricing, and in particular whether it is appropriate under the Simple pricing methodology.*

We support the introduction of negative marginal prices since this creates appropriate symmetrical incentives for parties in terms of cost reflective charges. Since the simple approach is designed to create similar incentives to a marginal approach we would support negative prices.

*Q6 National Grid welcomes industry views on the two options for charging for node to node exchange rate enhancements: treat as a 'one off', or use the TNUoS node to node differential.*

We support the development of appropriate nodal sharing arrangements based on the marginal costs at each node.

We are concerned that the haste to implement CAP161-63 in April 2010 using the "simple" methodology carries with it the risk of serious unintended consequences, particularly in relation to the cost reflective charges that underpin these changes to the regime. Our preference is to develop solutions that appropriately target costs on those that cause them in the most economic and efficient way. Consequently we believe that a fully developed and tested marginal approach should be considered ahead of any short term proxies which carry with them the risk of significantly distorting the arrangements for access to the GB transmission system.

If you wish to discuss any aspect of our response, please do not hesitate to contact me.

Yours sincerely

By email

Bill Reed,  
Market Development Manager







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

9 April 2009

Dear Craig,

EDF Energy is pleased to have the opportunity to comment on the "Consequential impact of CUSC amendment proposals 161 – CAP163" charging consultation.

Our response will comment on each CUSC amendment in turn however our key points are summarised below:

- EDF Energy supports National Grid's proposals for CAP161 charging and agrees that no additional specific access charges are necessary.
- We support the implementation of the Simple methodology for the pricing of CAP162 Entry Overrun and believe that its effectiveness should be kept under review. We do not support the Marginal Methodology proposed
- Under CAP163, assuming that the wider locational TNUoS tariff is appropriately recovered from the donor party (and that mechanisms are put in place for the recovery of revenue from local and residual TNUoS tariffs prior to implementation) we agree that no additional use of system charge need be levied under this amendment.

We note that this consultation no longer incorporates charging aspects of CAP164 and understand the reasons why National Grid has chosen to address this separately.

We further note the general consensus at the relevant working group discussions that the additional revenues arising from CAP161, 162, and 163 should be offset against BSUoS charges in the relevant time period.

#### **CAP161 – SO release**

EDF Energy supports National Grid's proposals for CAP161 and agrees that no additional specific access charges are necessary. We note that all of the options for SO release of access introduce a risk that BSUoS may increase or decrease. However we believe protection to third parties should be addressed via appropriate incentives on the System Operator.

### **CAP162 – Entry Overrun**

Regarding the charging options for CAP162 we support the implementation of the Simple overrun pricing methodology as we believe it represents an appropriate balance between cost reflectivity and transparency. We favour the transparency of this option due to the ex-ante publication of scalars.

We believe that following implementation of the Simple Methodology that its effectiveness should be subject to a thorough review to consider if it is providing appropriate signals to industry parties and appropriate protection to those not making use of Entry Overrun.

We believe that the cost recovery methodology is currently subjective and not transparent. Were it to be possible to provide sufficient understanding to industry of this methodology and for National Grid to demonstrate it is not subjective then implementation could be considered. In providing a robust methodology industry would need to be comfortable that when following a defined process to assess a constraint two different teams from National Grid operations would replicate decisions in a consistent manner.

We do not support the Marginal overrun pricing methodology, whilst it could be considered to be theoretically correct we remain unconvinced that it is appropriate to use such an option for the charging of one aspect of access. In particular this methodology does not fulfil the principles of Locational Marginal Pricing as it does not, for instance, incorporate any dynamic demand side participation.

We will now discuss some of the specific areas on which National Grid have asked questions of the respondents.

We agree with the discussion on pages 14 to 16 around the need for consistency of treatment of bids/offers with changes in generation due to other contracts [in the forward market], and we agree with the proposed approach as to how to take account of bid and offer acceptance volumes, as summarised in table 2.

On the question of the use of zones for the calculation of over-run charges, we do agree that there is merit in having consistency between short- and long-term transmission charging methods in respect of the zones. This will also make the perceived (and actual) complexity of the arrangements in their totality, that much less for new entrants and their financiers. Any slight inaccuracy arising from not choosing a slightly larger set of zones will be fairly irrelevant in the light of the appropriately-simple approach proposed to calculation of the over-run charge.

We see no reason to introduce a discontinuity into the method by disallowing negative prices, and therefore agree with Grid's proposal in this area believing the approach to be theoretically correct. In saying this we do have concerns over the earnings that could arise for plant in heavily constrained import zones as a result of how BM "Offer" acceptances were priced; the principle of whether or not negative over-run prices are allowed would be wholly secondary to behavioural considerations. Consequentially whilst we support the proposals for negative pricing and the treatment of

bids and offers (as discussed above) the interaction of these issues (and indeed their relationship to GB ECM 18 – Locational BSUoS) means that these areas should be carefully monitored and reviewed following implementation.

### **CAP163 – Capacity sharing**

As we have previously stated under CAP163, assuming that the wider locational TNUoS tariff is appropriately recovered from the donor party (and that mechanisms are put in place for the recovery of revenue from local and residual TNUoS tariffs prior to implementation) we agree that no additional use of system charge need be levied under this amendment.

Regarding the best method to charge users for specific works requested in order to improve node to node exchange rates, we would support the simple one-off charge approach and not the TNUoS differential route. We agree with National Grid that this will minimise risks of unrecovered costs falling on other parties.

Please contact Paul Mott on 020 3126 2314 should you need clarification on any of our comments.

A handwritten signature in blue ink, appearing to read "Seb Eyre".

**Sebastian Eyre**  
EDF Energy

**Hynes, Patrick**

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**From:** Helen Snodin [helen.snodin@xeroenergy.co.uk]  
**Sent:** 09 April 2009 09:52  
**To:** Hynes, Patrick  
**Cc:** 'BWEA Gordon Edge'; 'Rigby, Nic'; Robert.Longden@airtricity.com; richard.ford@res-ltd.com  
**Subject:** BWEA response GB ECM 14

Dear Patrick,

I am making this response on behalf of my client the British Wind Energy Association (BWEA).

Many thanks for the opportunity to comment again on the charging proposals for System Operator Release of short-term capacity, overrun and sharing. BWEA's views are unchanged since previous consultations for the CUSC Working Group 1.

BWEA would however note that a quite fundamental change on the zones for overrun is made in this consultation, and comes outside of the Working Group process and without any opportunity to discuss the implications as a group. We consider this to be an example of a defect in the CUSC and charging governance processes – namely the treatment of changes which are made after further reflection by National Grid. It is also an unfortunate consequence of the tight timescales in which some major reform is being pushed through.

BWEA would also note that the context for these proposals is somewhat altered by the locational BSUoS proposals which borrow the cost recovery methodology. BWEA would note that it is very difficult for some of its membership – particularly those that do not have well resourced Regulatory departments – to keep abreast of these complex and fluid proposals. There appears to be the prospect of locational BSUoS with an average methodology, superseded by overrun with a simple methodology superseded by overrun with a marginal methodology and / or a forecast of constraint costs that can be locked into a long-term tariff. This suggests significant and ongoing changes to the access regime over the space of a few years.

We would strongly suggest that an overall context and framework is set out to allow proper consideration and co-ordination of these proposals. This would in turn allow proper evaluation of the potential impacts of such significant, but currently piecemeal changes.

I hope you find these comments useful and please don't hesitate to contact me if you would like to discuss any aspect of this response.

Kind Regards

Helen



Xero Energy Ltd  
Registered in Scotland:  
SC313697 at 2/1A, 2 Parkgrove  
Terrace  
Glasgow G3 7SD, UK

Helen Snodin

Tel: +44 (0)141 357 1575  
Mob: +44 (0)788 799 1520  
[helen.snodin@xeroenergy.co.uk](mailto:helen.snodin@xeroenergy.co.uk)  
[www.xeroenergy.co.uk](http://www.xeroenergy.co.uk)

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Patrick Hynes  
Electricity Charging and Access Development  
National Grid Electricity Transmission Ltd  
National Grid House  
Warwick Technology Park  
Gallows Hill  
Warwick  
CV34 6DA

**E.ON UK plc**  
Westwood Way  
Westwood Business Park  
Coventry  
CV4 8LG  
eon-uk.com

Paul Jones  
024 76 183 383

paul.jones@eon-uk.com

9 April, 2009

Dear Patrick,

**GB ECM-14: Consequential impact of CUSC amendment proposals CAP161 to CAP163**

Thank you for the opportunity to respond to the above consultation. This response is made on behalf of E.ON UK plc. We are largely in agreement with the initial recommendations made by National Grid in the document. Our detailed comments on the issues raised are as follows.

**CAP161 – System Operator Release of Short Term Entry Rights**

We agree with the recommendations made on the charging for CAP161. We can see the rationale for different treatment of application fees between the products which tie a generator in on acceptance of a bid and CLDTEC which is a product which can be rejected. However, it is not clear on how the costs of running the auction and assessing the bids would be split between being recovered from bid revenue and from wider System Operator (SO) costs. Some clarity on this would be helpful.

We also agree that CLDTEC should be subject to a higher premium than the other products which are released closer to real time to reflect the higher risk that the ex-ante estimate of costs poses further out. Again, more detail on how this risk premium will be calculated would be helpful. We appreciate this may interact with any incentive mechanism that may be created around this product, if such a mechanism is deemed necessary.

E.ON UK plc  
Registered in  
England and Wales  
No 2366970  
Registered Office:  
Westwood Way  
Westwood Business Park  
Coventry CV4 8LG

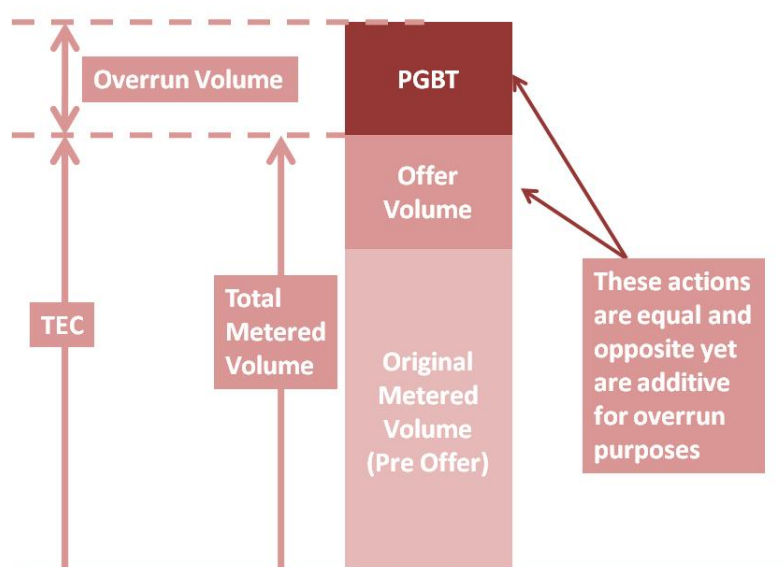
## CAP162 – Entry Overrun

We largely agree with the recommendations with entry overrun too. In particular we support the recommendation to price overrun using a simple methodology based on a multiple of BSUoS – RCRC scaled according to a scaling factor in each relevant zone. We note that one party disagrees with this approach on the basis that they do not regard RCRC as being the cost of energy balancing. We believe that it is not possible to come to one definition of the true cost of energy balancing. This has become apparent in debates in Balancing and Settlement working groups around cash out prices.

Firstly, there is no clear definition about what exactly constitutes energy balancing as opposed to system balancing. Secondly, it is clear that a number of actions are taken which have both energy and system balancing effects. However, RCRC represents the net amount of money recovered from, or paid out to, parties in energy imbalance. Therefore, it represents the deemed cost of energy balancing (ie deemed by the definition of imbalance prices). Therefore, it is as close to a measure of energy balancing as you will get given the inherent subjectivity.

There is one issue that we would wish to raise in respect of the treatment of bids and offers in relation to the calculation of overrun volumes. The rationale makes sense in that the acceptance of a bid should not reduce a generator's exposure to overrun, particularly if that the need for that bid was caused or exacerbated by the generator's signalled intention to overrun. We also can accept that should a generator make an offer in the Balancing Mechanism it should either have the capacity such as TEC to be able to deliver that offer, or pay any associated overrun charge.

However, there is something instinctively troubling about a situation whereby opposite actions have identical effects. That is, both accepted bids and offers (and the equivalent pre gate closure actions) have the practical effect of increasing a generator's metered volume for the purposes of calculating overrun volume. We are concerned that this may limit the options open to the SO at times.



As an example, imagine that the SO enters into a PGBT with a generator, in which it sells to the generator a certain volume of energy (a pre gate closure equivalent to a bid). This PGBT volume is then added to any metered volumes of the generator during the period concerned for the purposes of calculating overrun volume. The generator may therefore be unwilling to make an offer in the BM for this volume as if such an offer was accepted then the generator may be subject to overrun. This would mean that the SO would not be able to reverse the action it took pre gate closure if this was necessary post gate closure. This may or may not be a material issue for the SO, but we have raised it for further consideration if necessary.

We note the recommendation for TNUoS zones to be used for the purposes of applying scaling factors for simple overrun. We agree with this on the basis that the methodology is attempting to provide a simple and relatively transparent mechanism, albeit with the loss of some accuracy. We note that National Grid may be further exploring the marginal model in due course. We will be happy to contribute to this work through the CISG and TCMF.

We also agree with National Grid that negative pricing would be a suitable principle to adopt for overrun. We have no further comments in this respect to add over and above those already expressed by National Grid in the consultation paper.

### **CAP163 – Entry Capacity Sharing**

We note that that the main point raised in the consultation respect of this amendment is the application charge when an applicant applies for an exchange rate enhancement. We are content for the moment for this to be dealt with as a one off charge. However, we would be concerned if a one off charge was applied to works that could have wider benefits for or be shared with other users, as we would see this as cutting across current principles for the identification of and charging for connection assets.

We note that National Grid does not perceive any charges being applied to those who share access. We assume that this position has been taken so as not to prejudge the outcome of residual charging modification GB ECM-13. Clearly, there will be differences in the charges that sharing parties will incur if any of the options for residual charging are implemented. For instance, it is reasonable to assume that sharing parties will use a particular quantity of wider access with a higher load factor than a single party, which would incur additional residual costs under a commoditised charge than under this proposal. Similarly, a charge based on LCN would incur a higher liability for the sharing parties than under this proposal. However, on a pragmatic basis, we agree that it would not make sense to change the methodology until any decision on GB ECM-13 is made.

I hope that the above comments prove helpful.

Yours sincerely

Paul Jones  
Trading Arrangements





Welsh Power Group Limited,  
West Nash Road, Newport,  
South Wales, NP18 2BZ  
**Tel:** +44 (0)1633 294140  
**Fax:** +44 (0)1633 294141  
info@welshpower.com

Patrick Hynes  
UK Transmission Commercial  
National Grid House  
Warwick Technology Park  
Gallows Hill  
Warwick  
CV34 6DA

9 April 2009

Dear Patrick

**GB ECM - 14: Consequential impact of CUSC amendment proposals CAP161 to CAP163**

Welsh Power welcomes the opportunity to comment on this charging consultation document. As the owners of an existing coal fired plant, Uskmouth Power, Welsh Power believes that transmission access is vital to securing the GB electricity market in both the short and longer term. It is crucial to ensure that the appropriate charging methodology is developed for these new products i.e. entry overrun and CLDTEC.

Welsh Power continues to believe that the success of CAP 161 'SO Release of Short Term Entry Access' is dependent on the SO incentives that are established, influencing the SO behaviour upon how much short term access product to release. In particular, we believe that the SO incentives need to specifically address the potential exposure the SO faces when releasing the CLDTEC product. As a consequence of CLDTEC being available for up to 45 weeks ahead, there is a greater probability of inaccuracies with National Grid's forecasting of constraints. We would like to propose that CLDTEC should only be progressed if the SO is exposed to 80% of the forecast error cost that incurs as a result of National Grid's inaccuracies of forecasting constraints. This type of incentive is vital to ensure the SO makes every possible effort to accurately forecast constraints limiting the amount of cross subsidiary arising from users of CLDTEC and other NTS users via the BSUoS charges they face.

Besides the crucial issue of SO incentives having to be addressed, Welsh Power supports National Grid's charging changes to facilitate the implementation of CAP161. We support the proposal that no additional charge is required with regards to those short term products i.e. 5 week ahead and 2 day ahead that shall be auctioned. Whilst it is appropriate for the CLDTEC product to be based on the LDTEC fee structure, an initial application fee and charged at forecast additional operational cost. The additional piece of the forecast cost also including a risk premium is welcomed, ensuring no other users are exposed to the additional costs through BSUoS as a result of the CLDTEC product being released.

With regards the 'Entry Overrun' proposal, CAP162, we believe any overrun cost methodology needs to ensure that users have the ability to forecast the likely cost of overrunning in order for the tool to be used by generators. Welsh Power therefore supports the implementation of the simple methodology, using historical



data to establish an ex ante tariff which is then indexed. Having the ability to forecast the overrun charge, justifies generators having to purchase access to facilitate Balancing Services, including offers. Users are able to assess the risk and reward opportunities available prior to submitting offers in the BM, and therefore should be able to capture the potential overrun charge if participating in the BM without access. It is vital to ensure that Balancing Services are treated consistently with other contracts i.e. the forward market.

CAP163 which facilitates 'Entry Capacity Sharing' should only be implemented if the relevant User is exposed to the full cost of 'works', where it requires a better exchange rate than offered under the current or planned system. The User is liable for the full cost through a one-off payment.

Please do not hesitate to get in touch if you wish to discuss any of the points raised.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Williams'.

Rebecca Williams  
Head of Trading



taking care of the essentials

By Email  
Patrick Hynes  
Electricity Charging and Access Development  
National Grid Electricity Transmission Ltd  
National Grid House  
Warwick Technology Park  
Gallows Hill  
Warwick  
CV34 6DA

Centrica Energy  
Millstream East,  
Maidenhead Road,  
Windsor,  
Berkshire SL4 5GD

Tel. (01753) 431138  
Mob: (07789) 579169  
Fax (01753) 431150  
[www.centrica.com](http://www.centrica.com)  
9 April 2009

**Response to the Charging Consultation Document GBECM14 – consequential impact of CUSC amendment proposals (CAPs161-163)**

Dear Patrick,

Thank you for the opportunity to respond to the above consultation. This response is on behalf of Centrica Energy, excluding Centrica Storage. In this response we will provide our views on the treatment of bids and offers for the purposes of overrun volume, the zones proposed for overrun, the use of II and SF data, the inclusion of negative pricing, and the two charging options presented for works in association with CAP163 (capacity sharing). First we would like to point out that we have supported CAP162 from the outset as a 'no regret' option. Nevertheless we remain doubtful as to how much it will be used in practice given the lack of transparency and uncertainty over the pricing regime (e.g. National Grid may opt to move to a Marginal Methodology in the future which would likely have a negative impact on the uptake of overrun).

As an additional remark, we are uncertain as to the validity of National Grid's reasons for opting for the Simple Methodology over the Cost Recovery Methodology. National Grid states that the Simple Methodology is a "pragmatic approach based on an uncertain take up and the need to have a working solution available by April 2010". We do not support the Simple model on the basis that it lacks cost-reflectivity and as such does not enable Users to forecast constraints and the costs that they are likely to incur by overrunning. We support the Cost Recovery model on the basis it has transparency of constraints and is based on actual constraint costs, and therefore enables Users to estimate their charges accurately and make efficient access decisions. Furthermore, this ability to predict costs will be greatly enhanced if the P217 BSC Modification (revised tagging process and calculation of cash-out prices) is passed which will provide for the additional reporting of constraints.

***Question 1: National Grid is interested in views on the treatment of bids and offers for the purposes of overrun volume. Please indicate whether you agree with the principles described in table 2 and why; and also whether there is justification for different treatment for each of the models (Simple, Cost Recovery and Marginal).***

We agree that there are significant consequences on metered output and overrun volumes linked to the System Operator accepting bids and offers in the Balancing Mechanism. We believe that in order for the scheme to be effective those generators that choose to overrun must be targeted with the appropriate costs. It is for that reason that if a generator is overrunning in an export zone, and causing a constraint in the system, it would be inappropriate for that generator to avoid an overrun

**A *centrica* business**

Centrica plc - The group includes British Gas Trading, British Gas Services and Accord Energy  
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charge if they accepted a bid within the Balancing Mechanism (which reduced their output to within their TEC limit). Hence, when this occurs, Centrica fully supports the proposals to adjust metered volume by the bid volume so that the generator still faces an overrun charge for the constraint to which they have contributed. Similarly, if a generator accepts an offer that takes it over its TEC, it is logical that that Unit should incur an overrun charge. In an import zone that has negative pricing we are also comfortable that a generator, which has had an offer accepted, is paid the overrun charge. If the outturn cost of solving a particular constraint is negative we do not see any logic in collaring this at 0 (see our answer to question 4). As we only support the Cost Recovery Methodology, we do not have any comment as to how the treatment of bids and offers would interact with the other charging methodologies.

***Question 2: National Grid is interested in Industry views on the zones proposed and if parties agree that TNUoS generation zones are justified for the Simple and Cost Recovery methodologies.***

We believe that zones should be based on the ORZs that were produced from the scalar analysis rather than TNUoS generation zones. We believe that there are significant benefits from adopting zones that are cost-reflective and that there is not a large increase in complexity by opting for the scalar generation zones over the TNUoS zones. We would also note that if the Simple Methodology is adopted, having overrun zones based on TNUoS zones would compound the lack of cost-reflectivity within this methodology whilst the ORZs based on the scalar analysis would improve it.

***Question 3: National Grid is interested in Industry views as to the acceptability of using II data for the scalar and initial charge and SF data for the final charge, but keeping the scalar based on II data.***

We largely agree with using II data for the initial charge and SF data for the final charge. However, we do not believe that scalar data should remain based on II data. Rather it would seem logical to overwrite it with SF data when it becomes available. Furthermore, we do not understand why the BSUoS billing methodology is not used which would provide for a final reconciliation charge based on final settlement run (RF) information.

***Question 4: National Grid is interested in further Industry views on the issue of negative pricing, and in particular whether it is appropriate under the Simple pricing methodology.***

Centrica accepts negative pricing as a feature of this CAP162 and we do not see any reason why negative charging would be more applicable to one methodology than another. We are of the opinion if the outturn cost of solving a particular constraint is negative then a negative charge should apply. This is consistent with the TNUoS charging methodology which allows for negative charging in zones where a MW increase in connected generation capacity would reduce the overall costs of maintaining and securing the system. Whilst we understand that the proposed methodology would not distinguish between generations that have provided a 'benefit' to the system (by overrunning) or have had a 'negative' impact on the system, we believe that if the actual outturn cost is negative then there is no reason that generators should not be charged on this basis.

***Question 5: National Grid welcomes industry views on the two options for charging for node to node exchange rate enhancements: treat as a 'one-off', or use the TNUoS node to node differential.***

With regards to the charging regime for the additional works option with CAP163 (entry capacity sharing), we would be largely comfortable with both the 'one-off' payment model and the 'node to node' model. However, whilst the two options proposed are valid for works that only benefit one party, they are insufficient for assets that are shared (e.g. it is not stated which party should provide the security / pay for the works etc). In cases where works are shareable (or potentially

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shareable), and therefore are benefiting the wider User community, we suggest the project costs be passed into the TNUoS pot and recovered from all users accordingly. The party or parties that requested the works should provide an appropriate level of security either via the FSL or IGUC models. We would appreciate National Grid's thoughts in this area.

I hope these comments have been useful. If you want to discuss any element of this response, please do not hesitate to contact me on 07789 579169 or at [Ricky.Hill@centrica.com](mailto:Ricky.Hill@centrica.com).

Best regards,

Ricky Hill  
Industry Development Analyst  
Centrica Energy  
[Ricky.Hill@centrica.com](mailto:Ricky.Hill@centrica.com)

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