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Transmission Access
Future Energy Networks Team
Department of Energy and Climate Change
3 Whitehall Place
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31st March 2010

Dear Sir/Madam

AEP response to Improving Grid Access Technical Consultation

Thank you for the opportunity to respond to your consultation on Improving Grid Access. As you are aware the Association of Electricity Producers represents generating companies in the UK with our membership comprising a wide range of technologies utilising fossil, nuclear and renewable sources of energy. Members include some of the largest through to the smallest UK energy producers many of whom are actively seeking to invest for the future.

This consultation response has been compiled following discussions with our Electricity Networks Committee members and we are grateful for input from your team during several of our debates.

DECC requested comments on the following:

1. Do you agree that the proposed model for reforming grid access would best meet the Government's objectives for this reform?

We are pleased to see that several of our initial concerns have been addressed in this technical response and, even though a socialised model is not everyone's choice for the way forward, it is good to have a basis from which members can now start to plan. As you are aware Association members expressed a range of views. Some fully supported your proposals; however there are those who support arrangements that included a locational element to balancing charges. If your final proposals are based on socialised costs then it would be appropriate for the balancing costs caused by

derogated boundaries to be monitored to ensure that the cost assumptions made were realistic.

With regard to the treatment of 'enabling works', members were concerned that the definition as drafted could lead to some ambiguous situations and whilst this may be difficult the inclusion of some examples in your additional analysis has been helpful in that this has offered an opportunity to check whether the definitions are unambiguous or have gaps in them. Members have stated that the ability for transmission companies to set enabling works greater than maximum enabling works appears too wide and should only be used in exceptional circumstances.

Members expressed some concern about the process as currently drafted which would allow National Grid as System Operator to grant derogations to itself as Transmission Operator and to the two Scottish Transmission Operators. The concept of requiring a derogation for what will be business as normal in a 'connect and manage' world, feels wrong but is probably still necessary as the SQSS states what network needs to be built whereas connect and manage allows this to be deferred for a period. In other words, the derogation is the process that allows the required standards set out in the SQSS to be deferred under connect and manage. Should this provision remain through to the final proposals then the derogations should be made by the System Operator on a non discriminatory basis. Furthermore transparency to all system users where a derogation is in place should be provided by the introduction of appropriate reporting arrangements.

In addition members felt that there should be a more stringent obligation on Transmission Companies to complete wider works in good time so as to keep balancing costs down. There are also provisions in the current drafting for the Transmission Operators to avoid the clause requiring prompt investment in wider works if the connect and manage generator agrees. This may not be appropriate as such action would have an impact on all BSUoS payers, not just the 'connect and manage' generator.

With regard to the administration of the proposed scheme a question was asked about whether there will be Authority oversight of this process?

During the development of the transmission access amendments there were a variety of options discussed concerning user commitment. The debate in itself was useful as it enabled all parties to understand more clearly the background to this issue. The Association is happy on balance to support the extension as proposed. It is our understanding that pre commissioning commitment requires further work and that National Grid has stated that it will initiate a review through the normal governance process.

AEP Members support the overriding principle that during the transition arrangements, no developer should be in a less favourable position, in terms of connection date or associated conditions, than they are currently in under either the current invest then connect or interim connect and manage arrangements.

2. Do the proposed licence and code amendments deliver the policy aim?

As AEP stated in our response to DECC's initial consultation, it is imperative that investor certainty is provided by robust code and licence changes to implement DECC's determination. Clearly a considerable amount of resource has been put into these very welcome draft amendments.

As we have discussed, our members are not in full agreement regarding the charging arrangements to complement a Connect and Manage access regime, however we note that it is DECC's intention that transmission constraint costs "are fully socialised as they are under the Interim Connect and Manage arrangements" as stated within this consultation document. The associated licence drafting however to give effect to this (Clause 9 of licence condition C[x]) could be open to interpretation i.e. the use of "all parties to whom the relevant use of system charge applies" might be viewed as subjective. Does this section require further clarification?

3. Do you think there are any other changes to industry codes and licences or any other actions needed to implement the model?

None at present.

If you have any enquiries regarding this response please feel free to contact Barbara Vest, Head of Electricity Trading on 07736 107 020

Yours faithfully

David Porter OBE
Chief Executive

(By email)