



June 26, 2006

Ofgem letter – proposal to modify SLC C5 and C6 of the electricity transmission licence and SSC A5 of the gas transporters licence
Comments from the Association of Electricity Producers

The Association of Electricity Producers (AEP) is the UK trade association representing electricity generators. It has some 90 members ranging from small firms to large, well-known PLCs. Between them they represent at least 90 per cent of the transmission connected generating capacity and they embrace nearly every generating technology used in the UK. Many member companies have interests in the production and development of renewable energy where the government has set ambitious targets for development over the next decades

The Association welcomes the opportunity to provide comments on this proposal at an early stage. We agree in principle that an extended period of three months should be allowed to determine charging methodology changes when an impact assessment is undertaken. We also agree that Ofgem should undertake impact assessments for 'important' changes to the charging methodology. Such changes could impact the distribution of charges between connectees and are therefore particularly relevant.

The Association would like to suggest that consideration is given to the consequences of any such change to the timing and notice period for changes to charges. In particular how this interacts with other licence conditions for gas and electricity transmission charges. For gas, transmission charges National Grid has a reasonable endeavours obligation to only change charges twice a year in October or April. It should also give an indicative notice of the impact of changes 150 days prior to implementation. Also relevant is the two month notice period for change to charges as detailed in the Uniform Network Code. For electricity, in principle charges can be changed at any point in the year, but NG's practice has been to make changes effective from the start of April. Again there is a 90-day notice period of such changes.

In order to fit with these timescales either National Grid will need to begin the change process a number of months earlier in all cases, just in case an impact assessment is considered necessary, or Ofgem could undertake to give an early indication of whether or not the proposed change is of sufficient materiality that an impact assessment would be required when time would need to be allowed for this. Otherwise difficulties might arise if National Grid had not anticipated this. In such circumstances serious consideration will have to be given to the benefits of introducing change at shorter notice or on a date other than October or April (as the case may be), particularly given the benefits of stability and predictability of changes that these conditions provide.