

EIUG welcomes the opportunity to respond to this consultation as we have a number of concerns about the proposed methodology changes, which we list below.

Whilst we support the aim of improving transmission charging methodology so as to better reflect NGC's licence conditions, we believe due weight should be given to the value of stability. Unanticipated changes to charging regimes raise issues of risk for generators, suppliers and consumers alike. The costs associated with managing increased uncertainty may hinder rather than facilitate effective competition. We therefore believe that charging arrangements should not be altered fundamentally unless there is clear evidence of a resulting benefit to transmission efficiency, or competition between generators, that is certain to be passed on to consumers. It may be wise to consider whether changes are desirable at this stage, given that further changes may be required soon because of BETTA and moves to harmonise EU electricity markets.

EIUG does not oppose the possibility of altering the balance of revenue collected by means of connection and transmission charges. However, we are concerned that there appears to be no mechanism to ensure that increases in TNUoS charges will be offset by reductions in distribution charges, fully reflecting reduced costs of connection. We believe it is vital that DNOs are required to pass through cost reductions on a transparent and equitable basis, should the proposed changes go ahead. This concern is especially acute for EHV consumers, who fear unfair treatment as their revenue does not fall within the scope of DNO price controls. EIUG could not support the proposed changes without assurances from Ofgem on these points.

EIUG recognises that reducing overall revenue from connection charges could, under certain circumstances, better facilitate competition in supply by reducing barriers to entry, which consumers would broadly welcome. However, we are sceptical of the benefits of incorporating generator only spurs within infrastructure, which may be seen as a transfer of risk from individual generators to the market as a whole. We are not aware of a convincing argument why this change would result in a more appropriate allocation of costs.

EIUG would like to comment on the effect of the proposed changes on Triad charges. We strongly support the current Triad-based charging regime, which provides an effective incentive to manage peak demand with a proven track record. To the extent that the proposed changes increase the proportion of TNUoS revenue, and hence Triad charges, we would support them as they would increase the incentive for demand to respond. However, we do not support the proposal that 10% of TNUoS should be charged on basis of year round demand by means of a misleadingly termed 'commodity' charge. This would weaken the Triad signal and hence the incentive to manage load. Suppliers would have to adopt new systems to collect and manage the data associated with this charge, adding to their costs, providing an additional barrier to entry that would do nothing to facilitate supply competition. Recent events have highlighted the importance of demand response in maintaining security of supply. We therefore believe it would be reckless to make changes that would undermine current incentives to manage peak demand.

EIUG rejects the argument for discriminatory treatment for exports. In our view, interconnector users should be subject to the same incentives to manage demand in order to avoid peak transmission charges as other UK consumers.