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Urgent Modification Proposal 0129: Delay to the 2007 AMSEC Auctions

Dear Julian

Thank you for inviting us to comment on this urgent modification proposal.

RWE npower does not support implementation of urgent modification proposal 0129.

Ofgem's final transmission owner price control proposals set out amended baselines capacities for each ASEP. These will be reflected in the National Grid NTS GT Licence, effective from 1st April 2007. The intent of this urgent modification proposal is to delay the AMSEC auctions until after the date when these new baselines become applicable. We are unaware of any explicit provisions within the Transmission Price Control Review for transitional arrangements between the 2002/07 and 2007/12 price control parameters. In our response to *Urgent Modification Proposal 0128: Amendment of Entry Capacity Baselines*, we argued that there was a reasonable expectation that any baseline changes would only apply to auctions held within the new price control period from April 2007, which remains our view. The effect of 0129 would be to arbitrarily introduce quasi-transitional arrangements into one specific licence area, namely auction baselines and we do not support this approach.

National Grid NTS has argued that there could be an adverse commercial impact as a result of potential buy-back costs as a consequence of selling capacity potentially at greater levels than the new baselines. Unfortunately they do not substantiate these concern with any evidence of changes in network conditions. While there were significant buy-backs during the summer of 2006, these arose as a consequence of transmission constraints resulting from wider system reinforcement projects. Based on recent historical terminal flows we do not see much evidence of significantly increased buy-back risk.

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There is already considerable uncertainty about the future charging methodology and the setting of auction reserve prices as a consequence of the work carried out at the TCMF. We strongly believe that the auctions scheduled for February and March 2007 should go ahead with existing baselines to avoid undermining confidence in the capacity allocation mechanisms.

We hope these views are helpful and would be happy to discuss matters further.

Yours sincerely

By Email So Unsigned

Charles Ruffell
Economic Regulation