

Representation - Draft Modification Report 0517/A/B

0517 - Review of the Supply Matching Merit Order in Setting Capacity Charges

0517A - Review of the Supply Matching Merit Order in Setting Capacity Charges and Timing of Resultant Price Changes

0517B - Review of the Supply Matching Merit Order in Setting Capacity Charges, Rolling Average to Reduce Volatility in Annual Charges

Responses invited by: **24 July 2015**

Representative:	Gerry Hoggan
Organisation:	ScottishPower Energy Management Limited
Date of Representation:	24 July 2015
Support or oppose implementation?	0517 - Oppose 0517A - Oppose 0517B - Oppose
Alternate preference:	<i>If either 0517, 0517A or 0517B were to be implemented, which would be your preference?</i> 0517B
Relevant Objective:	a) Negative aa) Negative b) Negative c) Negative d) None

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

We believe that the implementation of a change with such material ramifications is premature allowing for potential developments elsewhere that may impact on the charging regime e.g. the shape of the final EU Tariffs Network Code, the outcome of Ofgem's Transmission Charging Review, National Grid's recently reported forecast reduction in total demand for 2015/16. At least all of these elements would have to be assessed and weighed in the balance. In the absence of that then implementing these changes would be premature. Moreover we share the concerns expressed more fully in

Energy UK's response over the robustness of the supporting analysis and whether that is sufficiently comprehensive and representative to underpin the conclusions drawn.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

We do not support implementation but allowing for the potential scale of the impact on charges for some parties then there should be at least no deviation from the standard timeline for publication of indicative and actual charges as per NGG's licence and indeed a longer lead time would be preferable.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

Implementation would adversely and materially impact a significant number of NTS directly connected customers dependent upon location and as is borne out by Appendix 2 of the draft modification report. In real and percentage terms some of the potential increases are substantial to say the least.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

Yes

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

Please see elsewhere in this response

Please provide below any additional analysis or information to support your representation

We have concerns over the development and implementation of fundamental changes of this nature allowing for where the industry finds itself. The future shape of the wider transmission charging regime remains hugely uncertain, with Ofgem's Transmission Charging Review yet to conclude, the outcome of the development of the EU Tariffs Network Code far from certain in a number of significant areas, and the resultant impacts from both in terms of methodologies, charging functions and scale of charges still unknown. All of these elements should be taken into account to develop a more holistic approach, recognising that changes in one charging area inevitably have consequential impacts elsewhere. Adopting a piecemeal approach runs the risk of further reviews being required to address those consequential impacts or other unintended consequences and only creates the potential for further regulatory uncertainty and price volatility. As such this is not an opportune time to be undertaking such a review and it would be premature to be implementing such changes at this time, particularly allowing for the scale of increased charges that some parties may face.