

P204 TRANSMISSION COMPANY ANALYSIS AND IMPACT ASSESSMENT – RESPONSE PRO-FORMA

In accordance with paragraph F2.8 of the Code, please respond to the following questions concerning Proposed Modification P204 (including the rationale for each response):

Q	Question	Response
1	Please outline any additional impact of Proposed Modification P204 (compared with Proposed Modification P198) on the ability of the Transmission Company to discharge its obligations efficiently under the Transmission Licence and on its ability to operate an efficient, economical and co-ordinated Transmission System.	We do not presently foresee any impact on our ability to discharge our obligations under the Transmission Licence at this time.
2	Please outline the views and rationale of the Transmission Company as to whether Proposed Modification P204 would better facilitate achievement of the Applicable BSC Objectives.	We remain neutral as to whether the proposal better facilitates the Applicable BSC Objectives.
3	Please outline any additional impact of Proposed Modification P204 (compared with Proposed Modification P198) on the computer systems and processes of the Transmission Company, including details of any changes to such systems and processes that would be required as a result of the implementation of the Proposed Modification.	We have not currently identified any additional impact of Proposed Modification P204 over Proposed Modification P198 (please refer to the Transmission Company Analysis and Impact Assessment for P198 for further details).
4	Please outline any potential issues relating to the security of supply arising from the Proposed Modification.	In theory the introduction of a zonal transmission losses scheme will provide a market signal for generation and demand to locate closer to each other, although given the long lead times commonly associated with transmission investment and the construction of new generation and demand plant, any affect to security of supply may not be seen for some years. However, in the wider context that investment decisions are taken in, and notwithstanding National Grid's wider obligations, transmission losses are in of themselves only one factor that will influence future investment decisions that may affect the configuration of the transmission network and in turn security of supply. In terms of short term despatch it is difficult to quantify whether transmission losses in of themselves will affect generation availability and demand, given that transmission losses are only one factor against which

		generation plant availability and demand turn down will be assessed against. The additional scaling factor calculation aspect of Proposed Modification P204 over Proposed Modification P198 make any short- or medium-term effects even more difficult to quantify.
5	Please provide an estimate of any additional development, capital and operating costs (broken down in reasonable detail) which the Transmission Company anticipates that it would incur in, and as a result of, implementing Proposed Modification P204 (compared with Proposed Modification P198).	We have not currently identified any additional development, capital and operating costs that would be incurred in, and as a result of, implementing Proposed Modification P204 when compared with Proposed Modification P198 (please refer to the Transmission Company Analysis and Impact Assessment for P198 for further details).
6	Please provide details of any consequential changes to Core Industry Documents and/or the System Operator Transmission Owner Code that would be required as a result of the implementation of Proposed Modification P204.	<p>We have not identified any changes that may be required to either the CUSC, Grid Code, or STC.</p> <p>We have not identified any changes to the Transmission Network Use of System and Balancing Services Use of System Charging Methodologies.</p> <p>It is worth noting that potential changes in European Legislation may affect the treatment of transmission losses across the interconnectors which could result in additional costs needing to be recovered for any losses payments made. This is however still in development and precise information cannot be provided on this at this time.</p>
7	Any other comments on Proposed Modification P204.	

Please send your response by **5pm** on **Tuesday 22 August 2006** to modifications@elexon.co.uk. Any queries regarding the analysis should be addressed to Justin Andrews on 020 7380 4364 or email address justin.andrews@elexon.co.uk.