

## TRANSMISSION COMPANY ANALYSIS AND IMPACT ASSESSMENT FOR ALTERNATIVE MODIFICATION P198 – RESPONSE PRO-FORMA

In accordance with paragraph F2.8 of the Code, please respond to the following questions concerning Alternative Modification P198 (including the rationale for each response):

Q	Question	Response
1	Please outline separately any additional impact of each of the potential Alternative options for P198 (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 from either of the potential Alternative options for P198 (compared with Proposed Modification P198) 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 each of the potential Alternative options for P198 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 separately any additional impact of each of the potential Alternative options for P198 (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 from either of the potential Alternative options for P198 compared with Proposed Modification P198 (please refer to the Transmission Company Analysis and Impact Assessment for P198 for further details).
4	Please outline separately any potential issues relating to the security of supply arising from each of the potential Alternative options for P198.	In the Transmission Company Analysis and Impact Assessment for P198 we noted that, 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. In terms of the potential Alternative options for P198, the first (Seasonal TLFs) should have the same long term effects as P198, but may have different short term effects. However, given the difficulty of quantifying the impact of P198, it is equally difficult to quantify the amount by which such short term effects may differ. The second potential Alternative option (Linear Phasing) will tend to diminish any effect for the first four years of the scheme. However, again given the difficulty of quantifying the impact of P198, it is equally difficult to quantify the amount by which any effect may be reduced.
5	Please provide separately 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 each of the potential Alternative options for P198 (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 either of the potential Alternative options for P198 when compared with Proposed Modification P198 (please refer to the Transmission Company Analysis and Impact Assessment for P198 for further details).
6	Please provide separate 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 each of the potential Alternative options for P198.	We have not identified any changes that may be required to either the CUSC, Grid Code, or STC. We have not identified any changes to the Transmission Network Use of System and Balancing Services Use of System Charging Methodologies. 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.
7	Any other comments on either potential Alternative option for P198.	

Please send your response by **5pm** on **Thursday 25 May 2006** to [modifications@elexon.co.uk](mailto:modifications@elexon.co.uk). Any queries regarding the analysis should be addressed to Kathryn Coffin on 020 7380 4030 or email address [kathryn.coffin@elexon.co.uk](mailto:kathryn.coffin@elexon.co.uk).