

**Sarah Friedel
Northern Ireland Authority for Utility Regulation,
Queens House,
Belfast
BT1 6ED**

16 March 2011

Dear Sarah,

**Re: Charges to Suppliers for Use of the Electricity Transmission System
Consultation Paper**

NIE Energy Supply (NIEES) welcomes the opportunity to respond to the Utility Regulator's Consultation Paper on the Transmission Use of System (TUoS) charging methodology.

NIEES is supportive of the TUoS charging review and as stated previously believes that any TUoS rate should reflect the original objectives of being cost reflective, transparent and predictable.

The proposal described by SONI simplifies the TUoS charging methodology and aligns the volumes billed with the trading point units used in the wholesale market. Utilising this data feed allows suppliers to reconcile TUoS and wholesale volumes with any shadow settlement validation becoming applicable to both sets of invoices. The application at trading point rather than meter point also places the onus on suppliers to allocate the TUoS rates differently when setting retail tariffs, however this would be completed in a similar way to energy and capacity.

To the extent therefore that this change provides a simplification in published rates, does not require additional shadow settlement activities nor fundamentally impacts the retail tariff setting process, NIEES supports the principles of SONI's proposed change.

An additional beneficial aspect of the proposed methodology is the removal of the supplier requirement to value unbilled TUoS charges. While this streamlines the financial aspects surrounding TUoS, careful consideration of the methodology changeover is required as this will have working capital implications for suppliers. NIEES would urge NIAUR / SONI to engage with individual suppliers, on a case by case basis prior to any potential changeover, to agree the valuation of billed / unbilled units etc.

In relation to the worked examples provided within the consultation pack, it is NIEES' expectation that given SONI intend to use trading point volumes rather than

meter point this will significantly increase the number of units TUoS billed. To secure a similar level of funds received therefore, the applicable rates should decrease.

NIEES consider that the evidence provided in the Appendix 3 tables; particularly the calculations for table T201 do not appear to be correct. Misleading decreases/increases are also given at the top of tables T201 and T203 that are at odds with the figures given at the foot of each table. It is also not clear if the new rates are shown at meter point or at trading point. NIEES would ask SONI to review this analysis and any application which provided these figures prior to the setting of any proposed new TUoS rate.

Please do not hesitate to contact me should you wish to discuss this response further.

Yours sincerely,



William Steele
NIE Energy (Supply)