

Interested Parties



*Promoting choice and value for
all gas and electricity customers*

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6th November 2009

Dear Colleague

Assessment of the potential impact on consumers of connect and manage access proposals (a report prepared by Frontier Economics)

The Department of Energy and Climate Change (DECC) published its initial consultation document on grid access reform¹ on 25 August 2009. The DECC consultation was published following Ofgem's advice that the Secretary of State use his powers under the *Energy Act 2008* to facilitate reform of the transmission access arrangements.

In its consultation document, DECC has presented three models for access reform and is seeking industry and stakeholder feedback on their impact and the suitability in enabling the Government to reach its 2020 renewable energy targets, while providing secure and affordable energy supplies to consumers. The three models presented by DECC are all variants of a 'Connect and Manage' regime, which in essence allow generators to connect to, and access, the grid before all of the necessary upgrades and reinforcements to the wider transmission system are in place.

To better inform ourselves and the wider debate, we asked Frontier Economics to undertake independent analysis of the way any connect and manage might impact on constraints costs. The report² presents the findings of this analysis under a range of scenarios and using assumptions based on data including that provided in the Energy Networks Strategy Group's report on transmission requirements for 2020. Although Frontier's report has been commissioned and published by Ofgem, it should be regarded as an independent publication; the report does not necessarily reflect the views of Ofgem or the Authority. We will publish our own response to DECC's consultation document in due course.

I trust that this analysis provides you with an insight into the likely effects and risks of a connect and manage regime. If you have any queries regarding this report, please do not hesitate to contact Min Zhu, Head of Electricity Transmission Policy, on telephone 020 7901 7060 or email Min.Zhu@ofgem.gov.uk.

Yours faithfully

A handwritten signature in black ink, appearing to read "Stuart Cook", with a long horizontal line extending to the right.

Stuart Cook - Acting Senior Partner - Transmission & Governance

¹ http://www.decc.gov.uk/en/content/cms/consultations/improving_grid/improving_grid.aspx

² http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/tar/Documents1/Frontier_CM_Constraints.pdf