

Hannah Nixon
Partner, Transmission
Ofgem
9 Millbank
London
SW1P 3GE

23 September 2011

Dear Hannah,

Project TransmiT: update on connections issues and consultation on timely connections reporting obligation

EDF Energy is one of the UK's largest energy companies and provides 50% of the UK's low carbon generation. Our interests include nuclear, coal and gas-fired electricity generation, renewables, combined heat and power plants, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including both residential and business users.

The key points of our response are as follows:

- We welcome confirmation that Ofgem will not at this time consult on the need for a Significant Code Review (SCR) on user commitment given the progress which has been made on the CUSC modification proposal for user commitment (CMP192).
- We have actively engaged in the CMP192 working group and believe that the progress which has been made will allow the Authority to make a timely decision on the original and alternative proposals.
- We believe the alternative proposals which provide for a continuation of a two year liability for post-commissioning generators represent a better balance of risk.
- Increasing the notice period and liabilities associated with generator exit from the transmission system is likely to have serious consequences for the efficiency of the energy markets.
- We believe that the workgroup has considered this potential impact of their proposals within the vires of the CUSC applicable objectives.
- However, Ofgem's statutory duties will require a wider consideration of the impacts and there should be a robust quantitative impact assessment of the CMP192 proposals.
- We welcome Ofgem's proposal for a TO reporting obligation, this seems a proportionate step to evaluate progress in respect of timely connection prior to any development of incentive arrangements under RIIO-T1.
- We consider that the scope of the report is appropriate; however we believe that timescales for planning and consenting of transmission investments is an important factor which warrants a specific focus.

Ofgem's confirmation that, at present, it will not proceed with a consultation on the appropriateness of an SCR for user commitment is a sensible approach. We consider the CMP192 workgroup has made considerable progress this year in the development of both the original National Grid proposal for enduring user commitment and a sensible set of alternative proposals.

These proposals have been developed by the workgroup in response to industry comments on the workgroup consultation. We believe that alternative proposals with a two year transmission liability for post-commissioning generators provide a better balance of risks between transmission owners and all transmission system users.

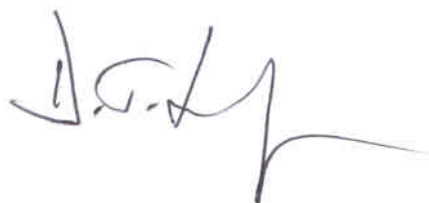
The proposals which impose a four year transmission liability on post-commissioning generators are not appropriate. It is imperative that the wider consequences of any changes to user commitment arrangements are properly reviewed. We consider that increasing the notice period and liabilities associated with generator exit from the transmission system is likely to have serious consequences for the efficiency of the energy markets. The CUSC workgroup has considered this issue in their analysis accompanying their consultation; however, Ofgem has a statutory duty to consider the wider impacts on the market and the GB consumer. We therefore believe that any benefit of CMP192 remains unproven unless a quantifiable impact assessment is performed which incorporates robust bespoke analysis of the risk to prices and security of supply.

We agree with Ofgem's proposals for a TO reporting obligation as we consider it a reasonable step to take to provide detailed information to the regulator and transparent information to industry parties. This will inform Ofgem as to the appropriateness of a connections based output measure and incentive arrangement as part of RIIO-T1. We feel that this information is highly relevant as we do not agree that transmission licensees should be incentivised for delivering what should form business as usual responsibilities. The application to onshore transmission owners of the reporting obligation with Ofgem continuing to review the appropriateness of including offshore transmission owners is sensible.

The scope of the obligation seems drafted to a sufficiently high level to encompass the key issues which may arise from connection application processes. However, we would welcome greater transparency of the impact of transmission investment planning and consenting processes as part of the report. We agree that the effects of Connect & Manage are still being understood, however, even within the C&M regime there remains the possibility that local or enabling works for a generator are delayed due to planning application processes. We consider it imperative that the incentives are maintained on the transmission licensees to work in parallel with pre-commissioning generators to ensure that their access to the transmission system can be met in a timely fashion.

Should you wish to discuss any of the issues raised in our response or have any queries please contact my colleague Rob Rome on 01452 653170, or myself.

Yours sincerely,

A handwritten signature in black ink, appearing to read "D. Linford".

Denis Linford
Corporate Policy and Regulation Director