

Cheryl Mundie
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Dear Cheryl

Transmission Access Review – Enhanced Transmission Investment Incentives: Final Proposals

EDF Energy welcomes the opportunity to respond to this consultation. We fully support the approach outlined by Ofgem in this final proposals consultation and wish to make the following key points:

- Investment in transmission is one of the key enabling factors for the timely connection of renewable and low carbon generation and needs to be brought forward as soon as is practicable.
- The phased approach to the release of funding is both practical and straightforward, but Ofgem needs to ensure that it does not lead to any delay in the necessary transmission reinforcements.
- The use of external consultants for a thorough consideration of each project is valuable and worthwhile.
- Pre-construction works should continue to be funded for all projects.
- The principles used by Ofgem in drafting these licence amendments are both reasonable and appropriate.

Efficient and timely transmission upgrade investment is a key enabling factor in delivering the new renewable and low carbon generation which will be necessary to meet the Government's policy objectives on energy and carbon emissions. DECC's recent statement, indicating its intention that a Connect & Manage (C&M) Socialised model of enduring access will be implemented by June 2010, will in the short-term increase the opportunity for new generation investment. However, in the longer-term, transmission system upgrade investment is the only viable solution for ensuring the necessary timely transmission access. In the short-term, additional operational costs (e.g. constraints) are expected with a C&M regime for access and Ofgem needs to ensure that these costs are minimised. In doing so, and in assessing the need for strategic system reinforcement, it is important for Ofgem to recognise that there will be more affordable generation projects, with longer lead times for their development, which will not necessarily seek a C&M connection and which will therefore not contribute to these additional short-term costs.

We support Ofgem's intention to continue to progress the release of funding by further review and consultation, as this will ensure that funding will only be released where the project is justified. However, Ofgem must ensure that its phased approach to the release of funding

does not delay any necessary re-inforcements, and also that, where projects are justified, immediate benefits can be gained from the commencement of construction works as soon as practicable.

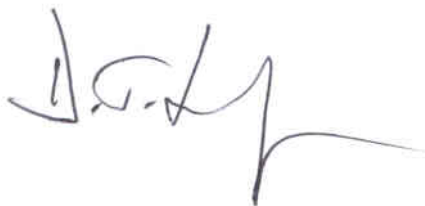
We welcome the work of Ofgem's consultants in reviewing the Transmission Owner nominated projects. It is important to keep the need for transmission investment under review as the anticipated use of the transmission system develops. A review of projects against criteria such as environmental objectives, affordability and security of supply, in addition to efficiency of investment, is of fundamental importance. This will ensure an appropriate balance is maintained between delivering timely transmission upgrades and reducing the risk of over-investment.

We continue to support Ofgem's view that those projects where valuable pre-construction work can be undertaken within the current price control should receive the funding for this work.

Finally we note that the principles developed for the drafting of licence amendments to give effect to these proposals are sound. We look forward to seeing further detail of the project output measures in due course.

If you have any queries on this response please do not hesitate to contact my colleague Rob Rome on 01452 653170, or myself.

Yours Sincerely

A handwritten signature in black ink, appearing to read "D. Linford", with a long horizontal flourish extending to the right.

Denis Linford
Corporate Policy and Regulation Director