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1 December 2003

Dear David

Price controls and incentives under BETTA

EDF Energy welcomes the opportunity to comment on this Ofgem/DTI consultation on the development of price controls and incentives to apply to the three transmission licensees.

Our views on the proposals set out in Chapter 3 are as follows.

NGC price controls and incentives under BETTA

1. That the existing form of NGC's price controls and incentives is appropriate for NGC under BETTA.

We are in broad agreement with this proposal.

2. That the additional funds required by NGC to perform its role of combined SO / TO will be provided through incrementing the level of allowed revenues under each part of NGC's existing revenue restrictions.

We would be disappointed if this simplistic approach of incrementing was the only method used. We would hope that several different methods of analysis would be used in order to improve the confidence in the values that are finally agreed. For example, we would also expect to see a 'bottom-up' build up of assumptions of the costs of providing all transmission services in Scotland. We also recognise that some of the services provided by the TOs may result in savings in other costs incurred by the GB SO, notably balancing services. We would want to see a developed analysis of examples where this may occur before we formed an opinion

on whether or not it is appropriate for marginal cost changes experienced by the GB system operator in procuring services from TOs to be reflected in the revenues recovered from users.

3. That NGC's revenue restriction components should each remunerate a consistent bundle of activities within the GB transmission system.

We believe that this is essential and it should be achieved from the outset. Only in this manner will it be possible to facilitate comparative analysis of the performance of licensees delivering similar TO responsibilities. We also believe that this is an essential prerequisite for establishing a GB transmission charging methodology

Transmission owner price controls under BETTA

4. That the transmission owner price controls should have a two part revenue restriction with Part 1 as an RPI-X control, and Part 2 covering the incentives between the GB SO and the TO (TO incentives) that are being developed.

We are broadly in agreement with this two part proposal, but would reserve our judgement until we know more about the scope of incentives between the GB SO and the TOs. We do not understand why NGC's TO price control should have a revenue adjusting facility dependent on the volume of new generation connection and yet this is not a feature of the TO price control for the Scottish companies. We believe that this disparity will need to be rectified.

5. That the GB SO and TO price controls should include STC-related income adjusting events.

We agree with this proposal.

We are also in agreement with the proposed processes and timetable and the work programme. Whether additional monitoring of expenditure will be required seems to depend on the form of TO incentives and we will be interested to see proposals on these in due course.

If you have any queries on this response, please do not hesitate to contact either Paul Chesterman on 020 7752 2527 or myself.

Yours sincerely

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

Denis Linford
Head of Regulation