

Tel 020 7752 2200
Fax 020 7752 2128

Tracey Hunt
Competition & Trading Arrangements
Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE



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Dear Tracey

Transmission investment and renewable generation

EDF Energy welcomes the opportunity to outline its views on Ofgem's consultation on transmission investment and renewable generation. EDF Energy has significant interests in generation, electricity and gas supply and electricity distribution.

EDF Energy supports the growth of renewable generation as part of Britain's overall energy mix. To this end, EDF Energy has been a significant purchaser of ROCs and we are involved in the development of various renewable projects, including offshore wind farms.

The three electricity transmission network operators in Great Britain have a crucial role to play in facilitating investment in new generating capacity, whether renewable or conventional, through provision of the necessary transmission infrastructure. It is also important that investment in transmission infrastructure is undertaken on an economically efficient basis, consistent with the aims of the competitive market for wholesale electricity and a market based approach to encouraging growth of renewable generation.

We recognise the need to take account of additional transmission investment requirements within the price controls for the three transmission network operators, given that its incidence and scale could not have been anticipated in the last price control reviews. We therefore do not support the first generic option of doing nothing until the next review. At the same, it does not seem appropriate to reopen the price controls at this stage, particularly as there remains considerable uncertainty. Therefore, we believe that a simple adjustment to the price controls of the three transmission operators would be the best approach for the remainder of the current price controls.

**40 Grosvenor Place
Victoria
London
SW1X 7EN**

EDF Energy plc
Registered in England and Wales
Registered No. 2366852
Registered Office:
40 Grosvenor Place Victoria
London SW1X 7EN

www.edfenergy.com

Paragraph 4.9 of the consultation document suggests that such an adjustment to the price controls could be implemented by an additional revenue entitlement based on a simple engineering based estimate of the returns and depreciation associated with the renewable related investment. However, this is not the only way that such a simple adjustment could be made. In particular, it should be recognised that, given the rising profile of investment to facilitate the connection of renewables, it may be preferable to charge at least part of the capital each year as incurred so as to avoid a future bow-wave of depreciation charges.

We agree with Ofgem's view that, in the longer term, more complex arrangements may be required to deliver the necessary signals and incentives, in order to encourage efficient investment, under the next transmission price controls and in the context of BETTA.

If you have any queries please do not hesitate to contact either Rupert Judson on 020 7752 2526 or myself

Yours sincerely

Denis Linford
Head of Regulation