



EDISON
MISSION ENERGY

An EDISON INTERNATIONALSM Company

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Tracey Hunt
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17th November 2003

Dear Tracey,

Transmission Investment & Renewable Generation

Thank you for the opportunity to comment on your recent consultation document.

Overall, we are fundamentally concerned that the opening up of price controls for the transmission companies before the end of their five year term should be considered. This would introduce additional uncertainty into the market place, by transferring risks and extra costs onto existing users of the transmission system. Edison Mission finds it difficult to accept that the additional investment in transmission due to renewables could not have been foreseen by the transmission companies at the time the price control arrangements were agreed. If this was the case then certainly other users were far less able to plan their businesses to meet these changes.

With respect to the estimates of capital investment required, we believe that these are excessively high:

- Firstly, we are not convinced that the pace of investment in renewables is likely to meet expectations. At the recent conference of the Renewable Power Association, developers outlined significant hurdles to project execution, which were reinforced by the DTI spokesman. In particular, project financing is extremely hard to come by, as potential investors do not perceive sufficient certainty in the ROC framework.
- Secondly, irrespective of the 'bankability' of ROCs, the estimates drawn up by the transmission companies shown in the consultation paper appear to assume that reinforcement should take place to allow the full capacity transfer from Scotland to England. This ignores any consumption of such power in Scotland, particularly as in the post-BETTA world, demand and supply characteristics are likely to change.

- Finally, the aggregate investment cost is estimated at a rate of around £250/kW of renewables. This is over ten times higher than the investment costs assumed for additional capacity in NGC's current price control.

Our preference therefore would be to leave the current price controls unchanged.

I hope that you find these comments helpful – if you have any further questions please do not hesitate to contact me.

Yours sincerely

Kevin Dibble
Director, Marketing