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Date 31 March 2004

Dear David

The form of transmission owner revenue restrictions and consequential effects on NGC's revenue restrictions

EDF Energy welcomes the opportunity to comment on this Ofgem consultation on the form of transmission owner revenue restrictions and consequential effects on NGC's revenue restrictions.

Our views on the proposals and issues raised in chapters 7 and 8 are as follows:

Proposed form of TO incentives

- (a) adjustments to the TOs' revenues in respect of investment through the process of price control review, in a manner consistent with current practice.

We agree with this proposal.

- (b) adjustment to the TOs' revenues in respect of outage plan changes through a process of declaring costs to, and decision by, the GBSO.

We agree with this proposal.

- (c) reliance on obligations rather than financial incentives in respect of transmission switching and providing transmission services.

We agree with this proposal.

- (d) to reflect typical industry-standard terms concerning liquidated damages for new connections as between users and the GBSO, and as between TOs and contractors, in the terms and conditions between the GBSO and TOs.

We agree with this proposal.

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Effect on NGC incentives

(a) sharing factor

We agree with Ofgem's view that there should be no separation of constraint costs or reduction in sharing factor for Scotland. The SO incentive scheme should be set on a GB basis.

(b) G_t term

As stated in our response to the previous consultation, we believe that there should be a consistent GB approach to revenue adjustment associated with new generation connection. However, we accept that it may be necessary to have different £/GW amounts in the different transmission areas.

(c) revenue restriction re-openers

We believe that the first option identified by Ofgem – for Ofgem to propose changes at the same time to both TO and GBSO revenue restrictions, with the potential to allow a full or partial recovery by the GBSO – would be the more appropriate mechanism, as this would ensure that the appropriate level of GBSO cost recovery was properly considered in each case.

We look forward to seeing further details of the proposed revenue restrictions for the three transmission licensees in the summer.

If you have any queries regarding this response, please do not hesitate to contact either Rupert Judson on 020 7752 2526 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