

David Haldearn  
BETTA Project  
Ofgem  
9 Millbank  
London  
SW1P 3GE

Your ref  
Our ref  
Name **Terry Ballard**  
Phone 07989-493038  
Fax **01905-340710**  
E-Mail [terry.ballard@rweinnogy.com](mailto:terry.ballard@rweinnogy.com)

01 April 2004

**The Form of Transmission Owner Revenue Restrictions and Consequential effects on NGC's Revenue Restrictions**

Dear David,

Thank you for the opportunity to respond to the above consultation.

We support the efforts to ensure that the relationship between the Scottish Transmission Owners and the GB System Operator is suitably incentivised. In general, the proposals within the consultation document seem a pragmatic approach to extracting value for customers from an arms length relationship. We would however raise the following points.

Whilst we support the principle that adjustments should be on an 'incentive compatible' basis, it is important that the process is as transparent as possible in order that market participants can have confidence that a cost/benefit test has been correctly applied.

It is suggested that the sharing factor in the Balancing Services Revenue Restriction should be set at a lower rate. Whilst we do not share the perception that less control over the system will necessarily result in higher balancing costs, we support any proposal that reduces sharing factors to the level of a genuine incentive arrangement rather than the present profit sharing mechanism.

It is proposed that the Gt term used to adjust revenues in England and Wales may be extended, either wholly or in a modified form, to Scotland. It is neither clear nor transparent how the existing figure of £23m/GW was arrived at. If it is to be extended to Scotland, greater transparency of the present calculation and any subsequent adjustment is required.

Yours Sincerely

Terry Ballard  
Economic Regulation

RWE Innogy plc

Trigonos  
Windmill Hill Business  
Park  
Whitehill Way  
Swindon SN5 6PB

T +44(0)1793/89 27 59  
F +44(0)1793/89 29 81  
I [www.rweinnogy.com](http://www.rweinnogy.com)

Registered office:  
Windmill Hill Business  
Park  
Whitehill Way  
Swindon SN5 6PB

RWE Innogy



RWE Innogy plc

Trigonos  
Windmill Hill Business  
Park  
Whitehill Way  
Swindon SN5 6PB

T +44(0)1793/89 27 59  
F +44(0)1793/89 29 81  
I [www.rweinnogy.com](http://www.rweinnogy.com)

Registered office:  
Windmill Hill Business  
Park  
Whitehill Way  
Swindon SN5 6PB