

Direct line: 0207 752 2200
Fax: 0207 752 2128

David Haldearn
BETTA Project
Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE



Date 7th April 2004

Dear David,

Review of transmission price controls from 2005

EDF Energy welcomes the opportunity to outline its views on this initial thoughts document on the review of transmission price controls from 2005 for SP Transmission Ltd and Scottish Hydro-Electric Transmission Ltd. EDF Energy supports the proposal of simply rolling forward the Scottish Transmission Operator price controls for two years rather than carrying out a full review of price controls for the same period.

The key points of our response, which are explained more fully below, are that we:

- support the alignment of the three Transmission Operators (TO) price controls and the alignment of gas and electricity transmission price controls;
- support the retention of the RPI-X form of controls for both SP Transmission and Scottish Hydro-Electric Transmission (SHETL);
- believe that a robust examination will have to be carried out on the analysis of the TOs capital expenditure plans; and,
- agree with the timetable that has been set out and the overall process that has been outlined.

We believe that it is appropriate under BETTA for Great Britain wide transmission issues to be treated together and we therefore support the alignment of the three Transmission Operators (TO) price controls. We also support the alignment of gas and electricity transmission price controls, given that in England and Wales both Gas and Electricity transmission activities are owned and run by National Grid Transco (NGT). This will allow consideration of efficiency savings that may arise

from any interaction between gas and electricity transmission activities and also allow better comparison of Capital Expenditure and Operational Expenditure between the TOs.

The TOs in Great Britain have an important role to play in facilitating investment in new generating capacity, whether it is renewable or conventional, through provision of the necessary transmission infrastructure. It is 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 the market based approach to encouraging growth of renewable generation.

EDF Energy supports the retention of the RPI-X form of controls for both SP Transmission Ltd and Scottish Hydro-Electric Transmission Ltd (SHETL), with Ofgem having the discretion to adjust the control, based upon analysis of the TOs' capital expenditure plans. We support the idea that the licensees should be allowed to recover the same percentage of allowed revenues for part of the year, using the same methodology as in 2004/5, should the roll forward price controls only apply for part of the year due to BETTA going live after 1st April 2005. This is the least complex option available and stays in line with the current arrangements so, should BETTA go live after 1st April 2005, there will be little disruption to the price controls and to industry parties.

We support the high level assessment of the performance of the Scottish TOs in working out the roll forward price controls, before a full review in two years time. We believe that a robust examination will have to be carried out on the analysis of the TOs' capital expenditure plans and their future requirements. It is clear that new renewable generation is going to be a major factor and capital expenditure plans can have a high level of uncertainty. EDF Energy supports the growth of renewable generation as part of Britain's overall energy mix; we are involved in the development of various renewable projects, including offshore wind farms. We support Ofgem's proposal that the capital expenditure will be subject to a separate assessment. This should ensure that any future investment is undertaken on an economically efficient basis and set at an appropriate level, representing no major, unjustified increase in cost to the industry.

We are happy with the timetable that has been set out and the overall process that has been outlined and await the draft proposals in July 2004. If you have any queries on this response, please do not hesitate to contact either Rupert Judson on 020 7752 2526 or myself

Yours sincerely



Denis Linford
Head of Regulation