

**RWE Innogy Comments on OFGEM Consultation  
Published March 2004**

**Review of transmission price controls from 2005: SP Transmission Ltd, Scottish Hydro-Electric Transmission Ltd**

*The following comments are made on behalf of RWE Trading, RWE Innogy plc, Innogy Cogen Ltd., Innogy Cogen Trading Ltd., npower Ltd., npower Northern Supply Ltd., npower Yorkshire Supply Ltd, npower Northern Ltd, npower Yorkshire Ltd.*

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

We support the proposal to roll forward the transmission price controls of SP Transmission Ltd and Scottish Hydro-Electric Ltd. We believe there is merit in considering the setting of transmission price controls for electricity in a GB context. This should be done at the same time as gas, given the potential for interactions between the electricity and gas markets and the common ownership of the gas and electricity transmission networks in England and Wales.

It is appropriate that enduring price control regimes are established with the experience of operating under a GB regime for both fuels following the introduction of BETTA. However we are concerned that considering the price controls in this way may put additional stress on both industry and regulatory resources.

We note that the figures presented in the consultation document indicate that both Scottish companies have performed better than was anticipated under the forecasts set at their last price control. We believe therefore that if their price controls are extended as proposed, the 'x' factor should be set at a number greater than '0'.

Recent publications have indicated that significant additional investment in transmission assets may be required to meet targets for renewable generation in Scotland. We support the proposal to identify this additional investment separately but it must be recognised that the proposed investment required for this new plant is linked to the current situation regarding generation capacity. This consultation document indicates that there is already significant generation over-capacity in Scotland.

If the correct pricing signals are put in place, any uneconomic plant located in Scotland will be removed from the system, allowing resources to become available for renewable generation at a lower investment cost than originally anticipated. We expect Ofgem to set the framework for transmission investment appropriately and ensure rigorous and robust scrutiny of TOs' business plans.

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