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Dear Jonas

Transmission Investment for Renewable Generation

We are pleased to have the opportunity to respond to this second consultation on the issue of Transmission Investment for Renewable Generation.

We continue to support the use of a simple adjustment mechanism to facilitate additional transmission investment for renewable generation for the remainder of the current transmission price control periods. Of the three approaches outlined in the consultation document we would favour the Revenue Driver approach, as we believe that this would give the best incentives for efficient investment whilst remaining flexible and relatively simple to manage.

We agree that output measures should be developed that would assist in establishing whether licencees have delivered investment that is fit for purpose. In this respect we believe that output measures should be based on the levels of additional capacity connected to the network, to encourage efficiency but also taking into account where existing capacity has been utilised or investment has also been partially driven by other factors.

We believe that the cost of capital used in the adjustment mechanism should be the same as that used in setting the main price controls.

We agree that the assessment of the economic efficiency of network upgrade plans should involve a consideration of the expected levels of constraint costs with and without the network upgrade. It may be the case, particularly in view of the intermittency of some forms of generation, that slightly increased levels of

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constraint cost may be more efficient than network reinforcement. It is also important that the levels of constraints likely in different parts of the network are fully transparent to the market so that this can be properly factored into investment decisions.

EDF Energy believe that cost reflective locational charges are essential to provide Users with appropriate investment signals and thereby to promote the efficient use of the transmission system. Regardless of appropriate locational charges, it is likely that the locational advantage of wind generation in Scotland over other parts of the country will remain an overriding economic factor and that there will be significant development of renewable generation and consequently of the transmission network in Scotland. However, this will undoubtedly increase the overall cost per MW of the transmission system. We therefore believe it is important that the charging arrangements continue to signal such incremental costs to those who cause them.

We believe that transmission access rights should be allocated on a first come, first served basis but in a transparent manner, so that both System Operator and Users can identify efficient solutions to the provision of access. We note that there are some amendment proposals currently being progressed under the England and Wales CUSC that may help to address this issue.

We believe that the issue of longer term access arrangements would merit more detailed consideration. Not only would this address concerns over stranded assets but could provide greater stability of charges and a degree of protection for generators from any adverse impact on charges resulting from new generation connections.

We hope that you will find these comments helpful. If you have any queries please contact Rupert Judson on 0207 752 2526 or myself.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D. Linford', with a long horizontal flourish extending to the right.

Denis Linford
Head of Regulation