



Mr David Haldearn
BETTA Project
Office of Gas and Electricity Markets (Ofgem)
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18th June 2004

Dear Mr Haldearn

Reference: Response to Transmission Price Controls and BETTA: Update.

Thank you for the opportunity to comment upon the 'Transmission price controls and BETTA - Update'. We would like to make the following brief comments with regard to a few of the issues contained within the document.

Price Control Framework (Output Assumptions).

We continue to believe that the GBSO should be allowed a significant input in to the planning process of the TO. To maximise the efficiency gains of BETTA, it seems reasonable to suggest that investment planning decisions must be considered within a GB Context. The System Operator should have the ability to challenge the investment plans of TO's in cases where the proposed investment may not be economically justifiable.

In the event that the GBSO makes changes to outage plans at short notice, which results in additional costs for a TO, it is reasonable to suggest that the GBSO should provide a suitable level of cost reflective recompense. We also agree with Ofgem that it would be appropriate to deduct the present level of such payments when adjusting the revenue restrictions for BETTA.

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Roll Forward Price Controls.

We concur with Ofgem that it would be desirable to remove any unintentional incentive for periodicity. We also agree that a rolling incentive mechanism may be the most suitable methodology to ensure that efficiency improvements are not subject to periodicity. It would seem appropriate for the rolling incentives to run from the commencement of the two year roll forward arrangements. Delaying the implementation of such a mechanism is only likely to lead to a continuation of the perceived problem over an additional two years.

BETTA Price Controls.

The BETTA project has been under way for some time now, although admittedly in the early stages the level of detail was relatively vague. We are aware that to deliver BETTA licensees will have to develop procedures, systems and arrangements to provide the necessary interfaces between each other. However, in the interest of efficiency care must be taken to ensure that any pre-emptive consideration given to the funding of such processes at the time of the last price control are not re-counted.

England-Scotland Interconnector.

We note the discussion regarding the most appropriate method for determining the opening value for the England-Scotland interconnector assets. We agree that a market based methodology is appropriate provided that these valuations are available and robust.

Yours sincerely

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