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Our Ref
Your Ref 196/04

Jonas Törnquist
Head of Electricity Transmission Policy
Networks Division
Ofgem
9 Millbank
London SW1P 3GE



Date 23 September 2004

Dear Jonas,

Transmission Investment for Renewable Generation.

EDF Energy welcomes the opportunity to respond to this consultation on the provision of funding for transmission investment for renewable generation.

We agree with the principle that an adjustment mechanism provides the best way of funding additional investment in the transmission infrastructure ahead of the next price control review. However, we ask Ofgem to bear in mind that customers in England and Wales are already facing large increases in TNUoS charges as a result of BETTA.

We continue to believe that cost reflective locational charges should form the basis of GB-wide transmission charging post BETTA, thus providing the appropriate investment signals for efficient use of the transmission network. It appears, however, that a large part of the burden of these proposed investments will be met by customers in the south of England – especially as NGT seems keen to move towards a 90:10 split in revenue recovery between demand and generation.

We agree that, in order to mitigate the impact on customers, it is appropriate to categorise the reinforcement proposals to ensure that only those projects which will have a clear economic benefit are actually funded from allowed revenue. What is proposed is, after all, only an interim adjustment ahead of the 2007 price control review.

To this end, we generally favour the Revenue Driver approach to funding additional investment required for renewable generation, so that payment is made to transmission system owners only when infrastructure is actually

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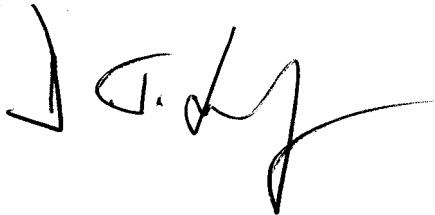
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improved. We do note, however, that for the Beaulieu – Denny line a lump sum payment may well be justified.

In addition, we do not agree that transmission licensees should receive additional revenues for increasing capacity beyond the baseline. We do not wish to see customers unduly affected by TNUoS charges. Therefore we do not see what benefit there would be to customers, in the relatively short period before the next price control review, by their having to provide additional funding for network reinforcement that goes beyond measures demonstrably required to connect renewable generation economically.

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 stylized flourish extending to the right.

Denis Linford
Director of Regulation