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Dear Jonas,

**RE: Transmission Investment for Renewable Generation – Initial Proposals**

Thank you for the opportunity offered to E.ON UK to consider the issues contained within the above proposal. We welcome the objectives of this initial proposal and concur with the assertion that it is desirable to avoid unnecessary delays to the development of renewable generation. Whilst recognising the increasing demand for system connections we must also ensure that reinforcement schemes are efficient, cost effective and consistent with existing system planning considerations. It is also of utmost importance to consider the consequences of granting unlimited access in circumstances where high constraint costs are the inevitable result. We welcome Ofgem's comments that the purpose of this initial proposal document was to provide incentives for an efficient level of investment, rather than providing additional subsidies for investment in renewable generation.

We welcome SKMs classification for investment projects. We strongly believe that such a methodology will assist in the avoidance of over investment in areas where significant uncertainty exists. In circumstances where uncertainties do exist either due to expected levels of constraint costs or development timescales, the proposals facilitate initial funding subject to appropriate analysis.

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There is a wide variation in the values used for a wind power capacity credit as contemplated in the; SCAR Report, RETS, SKM Report and the NGT Technical Review of Connection Options. With this in mind it may be appropriate to carry out an independent study aimed at assessing the effect of wind farms on the network in terms of system security. Agreement over a common value is likely to better facilitate consistent policy decisions. We agree with Ofgem that the increase in wind generation may necessitate a review of GB transmission security standards.

With regard to the longer term commercial commitments (Pg 42), we can appreciate that such arrangements may protect against the risk of stranded assets. Our initial assessment of the proposal is that such provisions may be potentially inconsistent with the current shallow connection policy. Some parties might wish to opt for longer term commercial arrangements and we therefore agree that the issue warrants further investigation. However, whilst recognising that the issues of longer term access agreements and efficient transmission investment are closely related, we believe that these matters should be considered separately. Such an approach will facilitate an expeditious conclusion to the consideration of this short term adjustment mechanism and allow full consideration of the longer term arrangements at a more appropriate juncture.

It is clear that a substantial amount of additional generation is planning to locate in Scotland. Given present constraints and the well documented problems for allocating access for BETTA we remain convinced that it is vital to ensure that locational charges in Scotland are not watered down further. We accept that an adjustment mechanism has been necessitated by the difficulty in forecasting transmission investment for substantial levels of renewable generation at the last price control. However, we would expect the adjustment mechanism to reflect a short term solution aimed exclusively at ensuring efficient transmission investment up until the next price control in April 2007.

If you would like to discuss any of the matters raised within our response please don't hesitate to contact me.

Yours sincerely

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