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## **240/04: Electricity Transmission Network Reliability Incentive schemes – Initial consultation document**

Dear Ayesha,

Thank you for the opportunity to respond to the above consultation. Whilst we understand the circumstances behind this proposal, we consider that it is both ill conceived and unnecessary.

We believe that robust networks are required to transport electricity to customers in UK and look to Ofgem to regulate the monopoly activities of the network owners and operators to ensure that a reliable system is available at an economic cost, and charged to users in an equitable way.

Notwithstanding the differences between systems, international comparisons suggest that NGC's performance is considerably superior to other network operators. This is further confirmed in benchmarking against UK distribution companies. The information provided under NGC's licence indicates that over 99.999% of energy requirements have been met in any given year since 1991/92.

We disagree that the proposed scheme will enhance the existing regulatory and legislative framework. NGC are subject to licence conditions to operate their system in an efficient, economic and co-ordinated manner and at all times to plan, develop and operate their transmission system in accordance with their Transmission System Security and Quality of Supply Standard. If Ofgem believe that a supply interruption has resulted from NGC's failure to act in accordance with their licence obligations, they have sufficient powers to address such a breach. This provides a far sharper incentive to NGC's management to focus on maintaining or improving network reliability than the proposed scheme. Conversely, if the interruption does not entail a licence breach, it is difficult to see what action NGC could take to improve the reliability of their system. On this basis it would appear that the proposal is neither proportionate nor targeted.

The allowed revenues under NGC's price control were arrived at following lengthy negotiation and investigation. They were set at a level to provide NGC with sufficient

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revenue to finance an efficient business. It seems perverse to propose a scheme that would reduce allowed revenues on a system that required improvement but reward one that was gold plated. The result is merely to add uncertainty to the level of TNUoS charges to the detriment of NGC's customers.

If you wish to discuss any aspect of our response please do not hesitate to contact me.

Yours Sincerely

Terry Ballard  
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