

Our Ref  
Your Ref 271/04

Joe Sunderland

Office of Gas and Electricity Markets  
9 Millbank  
London  
SW1P 3GE



Date 29 December 2004

Dear Joe,

**Electricity transmission network reliability incentive schemes.**

EDF Energy are pleased to have the opportunity to respond to this consultation on the development and introduction of electricity network reliability incentive schemes for transmission asset owners in Great Britain.

However, we feel that Ofgem have failed to take proper account of the comments made by ourselves, and others, following the initial consultation on this matter. This scheme shows no evidence of being properly thought through and would appear to be solely a measure for Ofgem to prove that they are 'doing something' in the light of the major transmission network faults in August and September 2003.

We believe that the following criticisms of the proposed scheme are still valid and therefore worth re-stating:

- Whilst this scheme may produce marginal reductions in the volume of lost load, but the cost of this is so great that there will be little discernible benefit to industry or consumers.
- The inclusion of the 2003 London and Birmingham faults in the calculation of NGC's target skews the average number of hours lost upwards and means that potential rewards under this scheme will be greater in future years because of one particularly bad year.
- Network reliability in each of the Scottish transmission networks is proportionately worse than that in England and Wales yet this scheme will not initially apply in Scotland where scope for improvement is clearly greater.

It is clear that NGC's system reliability performance is far in excess of any comparable transmission asset owner and existing licence conditions already compel them to maintain an efficient network. This scheme serves only to add extra cost on industry in addition to existing TNUoS charges to pay for network performance in excess of a low benchmark.

For all the reasons given above and in the previous letter, we conclude that this incentive scheme is not required by, and may indeed contravene, Ofgem's new statutory duty to have regard to the principles of best regulatory practice, including, in particular, the principles under which regulatory activities should be proportionate, consistent, and targeted only at cases in which action is needed.

We hope that you will find these comments helpful. If you have any queries please contact Stephen Moore on 0207 752 2524 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