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Date 10 December 2004

Dear Samanta

Financial ring fencing for new and existing independent transporters

Thank you for the opportunity to comment on this consultation document. We agree that financial ring-fencing of IGTs would provide a better level of protection and continuity of service for consumers connected to IGT networks.

This should be readily achievable because Ofgem has developed a framework for financially ring-fencing IDNOs, taking account of the difficulties that smaller electricity companies face in fulfilling a credit rating requirement.

As providing better protection for consumers is the key issue, it follows that the threshold to trigger an investment grade rating should be at the low end of the suggested range. Of the fourteen IGT licence holders, we would expect only one or two to have in excess of 300,000 connections, so there seems very little point in setting the threshold at a higher value.

For those IGT network operators with total connections below this threshold, we would support the introduction of alternative financial arrangements to an investment grade credit rating to mirror those currently effective for IDNOs.

We accept the need for transitional arrangements (i.e. derogations for a limited period of time) in order to allow existing IGTs to take those steps necessary to implement financial ring-fencing. However, we would wish to see Ofgem place challenging time scales on the IGTs to bring them up to full compliance with the revised requirements.

We think it is important that any changes or decisions made for IGTs that follow from this consultation are consistent with those yet to be taken for IDNOs.

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We hope that you find these comments helpful. If you wish to discuss any aspect of them, please feel free to contact either Paul Chesterman (phone 020 7752 2527) or me.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'D. Linford', with a long horizontal stroke extending to the right.

Denis Linford
Director of Regulation