

Our Ref  
Your Ref

Colin Green  
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**Date** 25 October 2005

Dear Colin

**EXTENDING NATIONAL GRID ELECTRICITY TRANSMISSION LTD'S  
TRANSMISSION OWNER PRICE CONTROL FOR 2006/07 – INITIAL  
PROPOSALS**

EDF Energy is pleased to have the opportunity to comment on Ofgem's initial proposals for the extension of NGET's transmission owner price control for 2006/07.

EDF Energy consider that the electricity transmission and distribution networks in Great Britain are vital for the continued smooth operation of the electricity market and the evolution of generation and demand in response to market signals. It is therefore important that a consistent and pragmatic approach is adopted for network operator price controls that will facilitate the appropriate investment in the networks in an efficient and timely manner. It is similarly important that the associated costs to users of these networks are stable and predictable not just from year to year but also from price control period to price control period.

In general, we support Ofgem's simplified approach to setting NGET's allowed revenue for the interim year until the start of the next full price control period in April 2007. Our only concern with this approach is the potential impact of any subsequent correction on transmission users during the next price control period in addition to a potential step change in revenue allowances.

On the basis that NGET's RAV will be adjusted on an NPV neutral basis as part of the next "full" transmission price control review, we support Ofgem's proposal to accept NGET's reported and projected load related capital expenditure for the purposes of establishing an interim RAV. In terms of non-load related expenditure, we agree that the use of the allowances determined at the last

price control review is a reasonable approach in the interim due to the uncertainty associated with the reported levels of expenditure.

We support the proposal to continue to use the current rate of return of 6.25% with appropriate adjustments for taxation.

Given that NGET's operating expenditure has been broadly in line with assumptions made in setting the price control we support Ofgem's proposed roll forward of the 2.5% annual efficiency improvement in controllable operating costs.

We hope that you will find these comments helpful. If you have any queries please do not hesitate to contact me.

Yours sincerely

Rupert Judson  
Electricity Market Strategy Manager  
EDF Energy