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03 February 2006

Dear Robert

RESPONSE TO TRANSMISSION PRICE CONTROL REVIEW – SECOND CONSULTATION

Siemens would make review comments on certain sections of the December 2005 Consultation Document.

As a key Supplier of turnkey construction services for the electricity transmission network, and of primary equipment for the gas transmission network, Siemens is acutely aware of the asset replacement issues. We are also aware that, due to the many external factors listed in section 3.5, and as noted by Ofgem in section 3.9, there will be competition among network companies for the resources required to provide asset replacement services. It is encouraging to see Ofgem's explicit reference to asset management and replacement in section 4.15, in the context of "demonstrable capital efficiency" in section 4.19.

From our experience of carrying out construction work on the electricity transmission network we recognise the age profile of the assets, and we have noted National Grid's efforts to ensure a timely and manageable programme of asset replacement. In our opinion, responsible asset stewardship should result in a continuing planned programme of asset replacement. Although a high proportion of National Grid's electricity transmission assets were installed in the 1960s, an appropriate asset stewardship regime would allow their replacement to be programmed over a longer period of time than their original installation.

The electricity industry's construction and asset replacement needs are met through a number of qualified Suppliers working with the network owners. Whilst these Suppliers will be able to increase their capacity to manage the foreseen increase in workload, in our view it is not appropriate to allow a situation to develop where very significant peaks in activity occur over a period of a few years.

National Grid's asset stewardship approach allows the planning of a long-term programme of asset replacement; in contrast, it is not possible to plan other investment with this degree of certainty. Provided the majority of asset replacement investment is programmed in this way, National Grid and its qualified Suppliers will be able to meet the challenge of substantial 1960s asset replacement during the next decades, coupled with the more volatile mix of load-related and renewable-related investment.

Siemens looks forward to providing a more detailed response during the Third Consultation, which Ofgem plans to launch in March 2006.

Yours sincerely

Colin Johnston

Siemens Power Transmission & Distribution