

Sonia Brown
Director, Wholesale Markets
9, Millbank
London
SW1P 3GE
Wholesale.markets@ofgem.gov.uk



17th October 2006

Dear Sonia

Regulatory arrangements for the new Dutch-GB electricity interconnector

EDF Energy welcomes the opportunity to comment on Britned's request for an rTPA exemption.

We welcome the increase in competition and contribution to mutual security of supply between member states that new energy interconnectors are able to bring. We agree, therefore, with Ofgem's assertion that the BritNed interconnector would be likely to enhance competition in electricity generation and supply, which is itself (alongside mutual security of supply improvements) the primary consideration.

We agree also that the proposals on transparency are exemplary.

We believe that it would be most helpful for market confidence and liquidity, if capacity rights across new interconnectors in Europe are firm. By this we mean that when flows bought in the explicit auctions mentioned in the consultation document are prevented from taking place, compensation should be paid to the party who bought those flows/rights, at the full market spread for the energy that was not permitted to flow. If this could be made a condition of the exemption being granted, that would be helpful.

We sympathise with, and find convincing, Britned's assertion that there will inevitably be good years and bad years for revenues, and that an rTPA regime could create an asymmetric risk for investors. Investors would not receive the full benefit of revenues in good years, due to regulatory intervention, whereas the downside risk would not be capped.

We therefore support the application for an exemption, subject to the request we make above regarding firmness and compensation rights where flows are curtailed.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D. Linford'.

Denis Linford
Director of Regulation