

Our Ref
Your Ref 115/05

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Date 6 May 2005

Dear Patrick,

Recovering the costs of compensation for temporary physical disconnection (CAP048).

EDF Energy is pleased to have the opportunity to respond to this consultation on the options for recovering the cost of compensation payments made by NGC where firm access rights to the transmission system are lost.

We believe that the most efficient way for NGC to reclaim the costs of any compensation will be by a cost pass through mechanism. Of the suggested options, we feel that including CAP048 costs as an adjustment to the following year's TNUoS charges is the better one. Any additional charges will be low relative to the overall TNUoS costs and will be spread across the whole year. Were the costs recovered through BSUoS then it could lead to large, unpredictable price spikes.

It is clear that there is a great deal of uncertainty as to how the GB transmission system will run in practice and also that the historical level of repayments which would have been due in England and Wales under CAP048 is relatively low, when compared with NGC's permitted revenue. For an incentive scheme to influence NGC's operational decision-making the rewards and risks would have to be significant, but for the relatively small costs likely to be incurred here that would be inappropriate.

The difficulty with establishing costs for this type of event is that the loss of transmission access, and therefore the consequent payments to generators, will be highly variable. For example, in one year there could be no instances of compensation being paid to generators, whereas another could see a large number of incidents over which NGC have little control.

Thus, we feel that to create an incentive scheme for what are quite minor costs would be disproportionate. NGC are already obligated by the Grid Code and transmission licence to minimise the cost and disruption of outages without financial incentives and we see no reason why this obligation would not continue to be effective in the future.

In the longer term, we suggest that Ofgem monitor the actual outturn costs of CAP048 related compensation before deciding on whether an incentive scheme needs to be implemented.

We hope that you will find these comments helpful. If you have any queries please contact me on 020 7752 2524.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. Moore'.

Stephen Moore
Transmission Infrastructure & Development Analyst.