

Stuart Cook
Director, Transmission
Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

Your ref
Our ref LOG08/167
Name Charles Ruffell
Phone 01793 89 39 83
Fax 01793 89 29 81
E-Mail charles.ruffell@rwenpower.com

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**Connecting the Scottish Islands - update
September 2008**

Dear Stuart,

We welcome the opportunity to respond to this open letter. This response is provided on behalf of the RWE group of companies, including RWE Npower plc, RWE Supply and Trading GmbH and RWE .

We agree with Ofgem's view that funding for the Western Isles connection should be via modification to SHETL's price control allowance, where it will be subject to regulatory scrutiny and assessment of whether it represents an economic and efficient solution. Provided that it does not adversely impact upon the proposed connection date, the investment should be considered within any revised incentive framework that may be developed as part of the Transmission Access Review.

It is disappointing that a decision on the Shetland connection remains outstanding. We are not party to the legal arguments about the geographical scope of the transmission licence, but the position needs to be clarified quickly to avoid any potential construction delays. Although Ofgem is considering a competitive approach, the arrangements for the competitive tender for offshore wind generation are still under development. They include a 12 month period between initiation of the tender and final licence award and appointment of TO. This may not be consistent with the proposed project development timetable which may introduce further delays and we therefore believe that the Shetland connection should also be funded via modification to SHETL's price control allowance.

We hope these views are helpful and would be happy to discuss them further.

Yours sincerely,

By email so unsigned

Charles Ruffell
Economic Regulation

RWE npower

Trigonos
Windmill Hill
Business Park
Whitehill Way
Swindon
Wiltshire SN5
6PB

T
+44 (0) 1793/8
9 39 83
F
+44 (0) 1793/8
9 29 81
I
www.rwenpower.com

Registered
office:
RWE Energy plc