



David Hunt  
Senior Manager – Electricity Transmission Policy  
Office of Gas and Electricity Markets  
9 Millbank  
London  
SW1P 3GE

**E.ON UK plc**  
Westwood Way  
Westwood Business Park  
Coventry  
CV4 8LG  
eon-uk.com

Paul Jones  
024 76 183 383

paul.jones@eon-uk.com

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Dear David,

**Transmission Access Review – Enhanced Transmission Investment Incentives  
Open Letter: Consultation on Short Term Measures**

Thank you for the opportunity to respond to the above consultation. This response is made on behalf of E.ON UK.

We continue to support the principle of strategic investment and the work of the ENSG. It is clear that one of the quick wins that can be achieved in this process is the immediate commencement of pre construction activity on the strategic investments that have been identified. Therefore, we are fully supportive of the principles behind the above consultation. We have not been able to review the legal text of the licence changes to confirm whether or not they fully meet the intent of the proposed approach. However, we would like to offer our views on the main elements of this approach.

**Scope**

We agree that the scope of the immediate allowances should be restricted to those activities that would be undertaken in 2009/10 only. In the meantime, more considered thought can be given to allowances for future years without compromising the potential effectiveness of the work to be undertaken.

E.ON UK plc  
Registered in  
England and Wales  
No 2366970  
Registered Office:  
Westwood Way  
Westwood Business Park  
Coventry CV4 8LG

## **Treatment as Capex or Opex**

We do not have a strong view as to whether the costs incurred should be treated as Capex or Opex. We therefore have no objections regarding the approach to treat it as Opex. If future costs were to prove to be of significant size then we may wish to reconsider our position on this point.

## **Ex ante of Ex post Costs**

We note that the proposal is to set the Transmission Owners (TO) an ex ante allowance for the relevant activities to be undertaken. We understand that a main reason for this is to provide an incentive for the TOs to carry out the work in an efficient manner. We would be concerned if this meant that activities were curtailed simply so that the TOs could profit from under-spending against their allowance. Therefore, we would support the monitoring and review of performance against the allowances as proposed in the consultation document.

Therefore, in summary we are supportive of the intention of the changes to the transmission companies' licences even though it has not been possible to ascertain whether the drafting changes proposed fully reflect this.

Yours sincerely,

Paul Jones  
Trading Arrangements