

David Hunt
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The Office of Gas and Electricity Markets
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Dear David,

Enhanced transmission investment incentives – short term measures

The Renewable Energy Association welcomes the timely consultation / proposed licence changes to ensure that the necessary transmission work this year to enable the government's targets for clean energy to be met is not delayed. As you are aware our members work on all types of renewable power and heat projects connected at both transmission and distribution levels in all parts of Great Britain.

As the "consultation" is also a formal notice of a proposed change to the licenses of the transmission companies we would like to make it clear that nothing in what follows should be taken as an objection to those license changes going ahead.

In our response to the initial consultation we said that "Pre construction work for projects that are necessary to be started now to meet reasonably anticipated need should not be delayed." We also said that for projects that Transmission Companies need to commence now "this obviously needs to be funded, to the extent that it is not already by the current price control arrangements."

The proposed license changes provide funds to allow for the work needed to be undertaken during the financial year 2009/10 and we therefore support them on the basis (which we trust Ofgem to know) that this work is genuinely otherwise unfunded under the current price control arrangements.

We are not clear what the consequences will be for the allowed income if either some of the work listed is not undertaken by the transmission licensees or Ofgem's proposed ex post efficiency review reveals that some of the expenditure has not been efficiently incurred. It appears from the license wording that there is no provision to claw back any allowed income in either of these cases. Nevertheless the sums involved are relatively small and we assume that for either of these eventualities the intent would be to make an appropriate adjustment for the following year (but of course, for work undertaken, leaving any under spend due to efficiency and overspend due to

inefficiency with the Transmission Licensee to provide an efficiency incentive in the normal way).

We hope you find these comments useful.

Yours sincerely

Gaynor Hartnell,
Director of Policy,
REA