

Richard Clay
Senior Manager, Offshore Transmission
Ofgem
9 Millbank
London
SW19 3GE



Thursday, 02 April 2009

Dear Richard,

Offshore Electricity Transmission: Updated Proposals for the Competitive Tender Process

EDF Energy welcomes the opportunity to respond to this consultation.

EDF Energy supports the proposals and hopes that, through competition for the licences, costs to consumers will be kept to a minimum.

In your consultation document, you suggest that the chosen regulatory regime *“is likely to enhance the potential for offshore wind development by providing increased certainty to, and reducing the capital requirements of, offshore wind developers”*. EDF Energy agrees that this regulatory regime should be in the best interests of generator developers. The reduction in the generator’s initial capital commitment should provide some encouragement to the offshore industry, as the difference between the OFTO’s regulated rate of return and the implicitly higher developer’s WACC (used to value the project) will help projects meet necessary financial criteria. The treatment of transmission losses on the offshore 132kV circuits will also benefit the generators¹.

The one initial drawback with the competitive licensing regime is that the developer will lose some control over the construction timetable of the offshore circuits. This could remain a problem arising from the year-long tendering process, especially for existing projects nearing financial close. However in the longer term this should not be a problem, as projects will align their timetable to the licensing regime.

Yours sincerely,

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

Denis Linford
Corporate Policy and Regulation Director

¹ Allocated to all generation and demand under the uniform Transmission Loss Multiplier (TLM) arrangements of the BSC, thus increasing power revenues by circa 1%