

Cheryl Mundie
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Ofgem
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6 October 2009

Dear Cheryl

Transmission access review (TAR) – enhanced transmission investment incentives: update and consultation on further measures

EDF Energy welcomes the opportunity to respond to this consultation on further measures for enhanced transmission investment incentives.

KEY POINTS

- **It is imperative that the momentum on the ENSG-endorsed transmission investment for 2020 is maintained**
- **Ofgem should conduct its review of nominated projects but should not adopt either of the two Options set out in the paper, which would delay the timing of investment decisions on vital network reinforcements.**

Efficient and timely transmission investment is a crucial factor in ensuring the successful connection of new renewable and other low carbon generation necessary for the delivery of Government policy objectives in respect of decarbonising the energy sector and reducing carbon emissions.

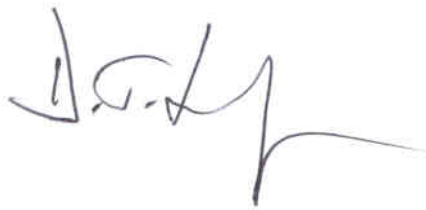
We fully endorsed Ofgem's recent decision to allow the TOs to fund certain pre-construction works in 2009-10. It is imperative that the progress which Ofgem has already made is maintained by a timely approach to the release of further funding, to ensure that the key 'minimum regrets' investments identified and agreed through the ENSG process, as necessary for 2020, can be met. However, that does not mean that individual projects are not subject to appropriate scrutiny. We therefore welcome the appointment of a consultant to review the Transmission Owner nominated projects and invite Ofgem to provide further transparency to industry on the terms and timing of this review. This will ensure there is a better understanding of the criteria for investment and that each project is considered against wider criteria such as environmental objectives and security of supply, in addition to efficiency of investment. The Ofgem proposed workshop on this issue should provide further transparency.

Subject to the findings of this review, EDF Energy believes that projects which can commence construction within the current price control should receive full funding as soon as possible. Furthermore, those projects where valuable pre-construction work can be undertaken within the current price control should also receive the funding for this work.

It is not appropriate to delay the timing of when decisions on funding are made to account for the findings (or even the 'emerging thoughts') of RPI-X@20 review, as this will introduce uncertainty and significant risk to the already challenging task of TOs to deliver the necessary investments in time. As we have previously stated, it is imperative that the momentum on the ENSG-endorsed transmission investment for 2020 is maintained. Clarity of funding should therefore be provided without any further delay. Ofgem should therefore continue with its current default path, rather than adopting either of the 2 Options set out in the paper.

If you wish to discuss any aspect of this response please contact Rob Rome on 01452 653170 or myself.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D. Linford', with a long horizontal stroke extending to the right.

Denis Linford
Corporate Policy and Regulation Director