

Diana Kennedy
Ofgem E-Serve
9 Millbank
London
SW1P 3GE

24 February 2010



Dear Diana,

Offshore Electricity Transmission: Consultation on draft Tender Regulations 2010

EDF Energy welcomes the opportunity to respond to this open letter regarding the proposed changes to the 2009 Regulations in respect of the enduring offshore regime and the opportunity to respond on the draft 2010 Regulations. EDF Energy's position on the key proposed changes set out in the consultation are as follows:

- **Insertion Mechanism to assess the costs of pre-construction works for projects tendered under the enduring regime;**

EDF Energy believes that it would be sensible to obtain an assessment of the pre-construction works for projects under the enduring regime. This will allow Ofgem to establish whether a party's pre-construction costs are reasonable and to what extent any cost overruns from plan should be allowed to be recouped.

- **Insertion Mechanism to transfer any pre-construction works undertaken by developers of projects tendered under the enduring regime;**

EDF Energy believes that a mechanism should be put in place to facilitate the transfer of pre-construction works. This mechanism needs to compensate parties for the pre-construction work undertaken and be sufficiently transparent in order to ensure that the future OFTO is aware of the size of its obligations in this regard.

- **Changes to both the transitional and enduring developer entry conditions set out in Schedule 2 to the draft 2010 regulations ;**

EDF Energy believes that the proposed changes to the developer entry conditions would be helpful in ensuring that any prospective developers are in a position to meet their likely future obligations.

- **Requirement on developers to provide updated cost information to the Authority – applied to projects tendered under the transitional regime and enduring regime;**

EDF Energy supports this requirement on developers as it would be very beneficial towards enabling Ofgem to monitor project costs. This will help to ensure that project costs are kept in budget and that the projects themselves are completed as scheduled and as required. This should reduce the risk of any possible failed projects resulting in stranded investments.

- **Ability of the Authority to use this updated cost information to update cost estimates or assessments for preconstruction works;**

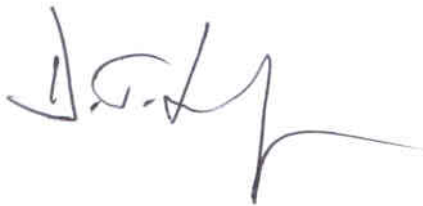
EDF Energy expects that as the regime develops more information will be obtained regarding the construction and operation of offshore networks. Consequently, it should be possible to provide more accurate cost estimates for future works. It is therefore recommended that the relevant regulations are sufficiently flexible to allow them to take account of this additional or more accurate information as and when it arises.

- **2010 Regulations and the proposal of a mechanism for Ofgem to determine whether to adopt a Qualification to Tender stage for the enduring regime at the time when the tender process commences;**

EDF Energy believes that it should be a requirement of the regime that all prospective parties in the tender process are in a position to meet their consequent obligations should their tender be successful. Again this will help ensure that projects are built on time and on budget and thereby reduce the risk of stranded assets.

If you have any queries on this response or would like to meet to discuss it further, please do not hesitate to contact Rob Rome on 01452 653170, or myself.

Yours sincerely,

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

Denis Linford
Corporate Policy and Regulation Director