

Hannah Nixon
Partner, Transmission
9 Millbank
London
SW1P 3GE

9 February 2011

Dear Hannah,

Project TransmiT: location decisions for new low carbon generation projects

EDF Energy is one of the UK's largest energy companies and provides about 50% of the UK's low carbon generation. Our interests include nuclear, coal and gas-fired electricity generation, renewables, combined heat and power plants, and energy supply to end users. We have over 5 million electricity and gas customer accounts in the UK, including both residential and business users.

We note that some respondents to Ofgem's Project TransmiT Call for Evidence have suggested that renewable and nuclear developers are unable to respond to locational or differential transmission tariffs, when choosing where to site their generation projects. We do not agree with such statements and in this letter we wish to provide you with some further information to substantiate our views. This letter is not confidential and we would be happy for it to be placed on your website.

Nuclear site development considerations

There is at present a number of suitable sites for development of new nuclear, identified via the Government's Strategic Siting Assessment (SSA) process and listed in the draft National Policy Statement (NPS) for Nuclear Power Generation. These sites are geographically diverse within England and Wales and, as part of the SSA process, potential developers had the opportunity to nominate sites to be included in the Government's assessment.

It is of course crucial that each potential site can obtain planning and other consents and be granted a nuclear site licence before construction can start. Within EDF Energy these essential criteria were considered holistically along with other critical project factors as part of our assessment to select preferred sites for nuclear development. Our assessment of potential new nuclear build sites considered, amongst other things:

- land availability;
- technical issues and costs of grid connection;
- cooling capability;
- environmental issues;
- geological conditions;
- site access and transportation;
- general site level;
- socio-economic context, population density and other local considerations.

The technical and financial aspects of transmission issues are a key part of the above assessment criteria. In order to provide you with more understanding of their relevance, we expand on these in more detail below, viz:

1. The proximity of the station to areas of demand, i.e. our customers. If we connect more closely, with this comes a higher probability of a robust network connection and greater reliability of continuous site electrical supplies;
2. The consenting risks for the construction of both local and wider transmission network assets that may be required; and
3. Costs of transmission access, including a forecast of how costs may change in future.

It is worth noting that decisions on the preferred locations of initial nuclear new build were being taken back in 2006-07 before the current debates on transmission access and electricity market reform had emerged. EDF Energy's focus on Hinkley Point and Sizewell as its preferred sites is consistent with earlier studies carried out by the Central Electricity Generating Board (CEGB), which also took account of transmission costs as a factor in determining preferred site selection.

Ensuring sensible site selection for all low carbon generation

There are many potential sites for the development of renewable (both onshore and offshore) and other low carbon generation. Indeed, our own internal analysis indicates that GB has a huge potential, in terms of available sites, for low carbon projects which is in theory more than sufficient to meet future demand forecast and carbon reduction targets. Available sites are geographically diverse and suitable for different forms of low carbon generation. It is clear that the transmission costs to deliver projects at different sites will vary. Therefore providing developers with appropriate incentives will ensure sites with lower total costs are developed first. Progressing towards UK renewable and low carbon targets in the most cost efficient order will facilitate the sensible development of the transmission system to the ultimate benefit of existing and future consumers.

Should you wish to discuss any of the issues raised in our response, have any queries or would like to understand better our analysis, please contact my colleague Rob Rome on 01452 653170, or myself.

Yours sincerely,

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

Denis Linford
Corporate Policy and Regulation Director