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Dear Sirs

Thank you for the opportunity to respond to your open letter dated 28 March 2011, "Changes to the Offshore Transmission Owner (OFTO) availability incentive". Balfour Beatty's responses to the first two questions raised in the open letter are given in the attached appendix.

Balfour Beatty intends to respond to the other questions raised in the open letter as well as particular issues raised by developers at the availability incentive workshop by 22 April 2011.

If you have any queries, please do not hesitate to contact me.

Yours faithfully



Sean McLachlan
Investment Director
Balfour Beatty Capital



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Appendix

Question 1 - Does removing monthly availability targets lead to a simpler and better targeted incentive?

Though removing the monthly availability targets would lead to a simpler incentive, it will not lead to a targeted incentive and is therefore not better. In this scenario, the OFTO will likely suffer a revenue deduction for any planned maintenance in any month of the year if the availability target is set at 98% for all months. The availability incentive mechanism should not penalise an OFTO for its planned maintenance program undertaken in the incentive month

The monthly availability targets and monthly weightings which we understand are largely determined by the developer are an effective incentive for the OFTO to coordinate its maintenance program in line with the developer's expected minimum wind farm output. We also believe that the monthly availability targets and monthly weightings do not need to be fixed to the same month for the 20 year revenue period but could be flexible to accommodate potential changes in maintenance programs over time. We would propose Ofgem consider a mechanism for setting the monthly availability targets and/or the monthly weighting on an annual basis.

Question 2 - Would the incentive better meet its policy intent if we replaced the credit banking mechanism?

The proposed replacement of the credit banking mechanism would simplify the incentive structure while maintaining a strong OFTO incentive to achieve above target availability and therefore would meet the policy intent.



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