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Chapter 2

1 Have we correctly identified the GB TSOs that require certification? Are there other TSOs that would require certification?

We are not aware of any other TSOs that require certification.

2	<p>Are there reasons why the subsidiaries of National Grid plc that act as TSOs should not be certified according to the OU model? What are these?</p>
	<p>We agree with Ofgem’s assessment that NG’s overseas generation interests are not relevant to its certification in GB, provided these assets are operated separately from NG’s regulated networks and there is no cross subsidy.</p> <p>However, we are less comfortable with NG’s ownership of generation assets in Britain. When BETTA (British Electricity Trading and Transmission Arrangements) was created in 2002, Ofgem and the DTI stated that <i>“the development of effective competition across GB is contingent upon the creation of a GB system operator that is independent of generation and supply interests”</i>. We are not convinced that NG’s partial ownership of Blue-NG is consistent with such independence, and question whether it is compliant with the European unbundling objectives.</p>
3	<p>What do you think of our proposed approach to certifying the various interconnectors?</p>
	<p>The approach proposed by Ofgem for the certification of interconnectors seems reasonable.</p> <p>In particular, we support the proposal that the certification process should take into account the circumstances under which an interconnector was constructed (for example, on the basis of a regulatory exemption or rules equivalent to an exemption). We share Ofgem’s view that where existing exemptions or equivalent rules are still valid, as is the case for BBL and Interconnector (UK), these exemptions or equivalent rules should endure and the interconnectors should be exempt from the unbundling provisions of the Third Package. We agree that the exemption should apply to the whole capacity of the infrastructure.</p> <p>We believe that these exemptions should be formally set out in the certification procedure or applicable legislation.</p> <p>With regard to unbundling models, we welcome that DECC is minded to make the article 9(9) derogation available. To avoid any inconsistencies in the interpretation of the ownership unbundling provisions, it should be clarified in the certification procedure or applicable legislation that the article 9(9) derogation is available to all TSOs that need to be certified under the Third Package unbundling requirements.</p>

4	Do you agree that OFTOs should require certification with respect to the unbundling provisions and be obliged to comply with the ownership unbundling model (with possible exceptions noted below)?
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We have no comments.

Chapter 3

5	Do you consider that the arrangements relating to the Scottish electricity transmission companies guarantee more effective independence of such licensees from the vertically integrated undertakings of which they are part of than the provisions of the ITO model? Why?
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As stated in our response to question two above, independence of transmission is a cornerstone of the competitive market in GB. The requirements of the Third Energy package on unbundling are robust, and it is important that the arrangements in Scotland are as effective as those in operation in England and Wales.

6	Are there further areas of investigation or clarification we could consider?
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We have no comments.

7	Do you consider our overall approach to the assessment of the Scottish electricity transmission companies against the Article 9(9) derogation appropriate?
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See response to question five above.