

Hannah Nixon  
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Ofgem  
9 Millbank  
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21 November 2011

Dear Hannah

### **Initial Assessment of RIIO-T1 business plans and proportionate treatment**

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. 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 five million electricity and gas customer accounts in the UK, including both residential and business users.

We welcome the opportunity to respond to this consultation. The key points of our response are:

- The engagement by Transmission Owners (TOs) when developing their business plans has been welcomed and represents a significant improvement over the traditional price control processes.
- The TOs have clearly spent significant effort and time engaging with stakeholders and developing detailed business plans which they have presented to Ofgem.
- As this is the first time that the RIIO process has been followed it is a learning process for all parties involved, including TOs and the regulators. It is therefore unsurprising that different business plans have different strengths and weaknesses.
- It appears proportionate for Ofgem to conduct an initial filter of business plans to determine which could progress through the fast track process, subject to further development; and which are unsuitable.
- Ofgem is best placed to identify which business plans are candidates for the fast tracking process and which are not. We therefore support Ofgem's initial assessment at this time.

The new RIIO process has represented a significant improvement on the traditional approach to price controls as this has enabled the industry to feed into the development of the TO's business plans, and also has enabled the TOs business plans to feed into the business plans of the industry. This supports a more co-ordinated approach to planning and business developments and ensures that the TOs are responding to the needs of their customers.

The TOs have clearly spent significant effort and time engaging with stakeholders and developing their detailed business plans. The level of detail and transparency regarding

these business plans has been welcomed with the TOs appearing to have published their full business plans for review and appraisal by stakeholders. Where appropriate we have fed this information into our own business planning process. At the same time there is also recognition that as this is the first time that the RIIO process has been used there are improvements that can be made in the future to meet stakeholder requirements. In particular we note that there is recognition that the priorities for stakeholders and the TOs may not always be aligned; and that there would be a value in co-ordinating RIIO work to support extended engagement.

Further as this is a learning process for the TOs, regulators and stakeholders it is unsurprising that different business plans have different strengths and weaknesses that need to be addressed. This is especially the case given the scale of investments these business plans cover and the uncertainty that the industry currently faces. It would therefore appear proportionate to conduct an initial filter of business plans to identify which plans may be suitable for the fast track process subject to further development. Ofgem are probably best placed to assess these business plans and ascertain their completeness as they have previous experience of assessing TO business plans. Ofgem's initial proposals to keep Scottish Power Transmission Limited (SPTL) and Scottish Hydro Transmission Limited (SHTL) in the fast track process therefore appear appropriate at this stage.

Should you wish to discuss any of the issues raised in our response or have any queries please contact my colleague Stefan Leedham on 0203 126 2312, or myself.

I can confirm that this letter and its attachment may be published on Ofgem's website.

Yours sincerely,

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

**Denis Linford**  
**Corporate Policy and Regulation Director**