

Angelita Bradney  
Electricity Transmission  
Smarter Grids and Governance  
Ofgem  
9 Millbank  
London  
SW1P 3GE

10 January 2012

Dear Angelita

### **RIIO-T1 Implementing competition in onshore electricity transmission**

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 residential and business users.

We welcome the opportunity to respond to Ofgem's consultation on implementing competition in onshore electricity transmission. The key points of our response are:

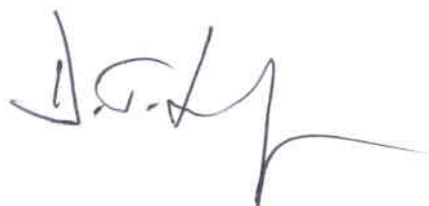
- It is theoretically attractive for Ofgem to provide an option which allows third parties to develop, own and operate parts of the network where there is no significant risk to the timely delivery of critical network infrastructure or system security.
- It is difficult to quantify the expected benefits from a greater third party role in the construction of new onshore transmission assets. We therefore do not believe that the National Audit Office's general findings about cost savings through the use of PFI initiatives for projects such as school and hospital infrastructure can be extrapolated safely with any confidence to energy transmission infrastructure.
- We expect the use of this mechanism to be limited to cases where the industry or others raise serious concerns about the cost or timeliness of proposals put forward by the relevant Transmission Owner (TO).
- The use of a 'light' transmission licence mechanism to enable third parties to submit a funding request seems reasonable, but it is imperative that a timely transfer process onto a full transmission licence is established.
- The code responsibilities and obligations of a full transmission licensee in the development, ownership and operation of network assets are fundamental to system security and should at all times be transparent to third parties.
- We agree with Ofgem's generalised assessment of the areas where changes are required to the named industry codes, where at present there are only references to the existing three onshore TOs. It would appear that these would be fairly simple amendments, and so we agree with Ofgem's view that these could be launched early in 2012, utilising the self-governance process.

- The consultation seeks views on whether planning consent should first be in place before a tender is launched for new onshore transmission works by a third party. This seems undesirable as the existing TO in applying for that consent may restrict innovation or limit the options available to a third party.
- The various pre-construction works, such as technical design and planning consent and environmental studies, should be made available to all tenderers on an equal basis.
- The consultation raises the question of whether an incumbent TO, in tendering for the new transmission construction business that the incumbent TO had been found wanting to complete, should ring-fence its tender vehicle. This is a difficult question. Tentatively, we believe that ring-fencing should be put in place in this novel circumstance.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact my colleague Stefan Leedham on 020 3126 2312, or myself.

I 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**