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Friday, 10th February 2012

Re: RIIO – T1 Implementing competition in onshore electricity transmission - Consultation

Dear Sir/ Madam,

Thank you for the opportunity to respond to the above consultation. This response is made on behalf of E.ON UK.

Competition, as we have seen from offshore transmission, could have the advantage of reducing the overall cost of transmission, which would reduce costs to users and ultimately the cost to the consumer. Given the potential scale of investment in the transmission system over the next decade this has the potential to provide downward pressure on cost. The process for selecting a TO to construct onshore transmission assets should not result in undue delay to the deployment of additional transmission capacity, to avoid delays to the connection of new generation and any negative impact to constraint costs.

The changes to the industry codes that have been identified seem suitable to enable third party involvement in onshore electricity transmission. The proposed amendments and process appear to be appropriate.

The tender process should be treated akin to a procurement process and be undertaken in a timeframe that is commensurate with the required timescale to commence construction and for delivery of the asset. It is our opinion that planning consents should be in place, or close to determination, before the selection process completes. This will provide the third party TO with certainty and reduce the potential financial risk associated with planning consent delays. The incumbent TO should purchase all land and complete wayleaving activities prior to the selection process and then be able to transfer them to the successfully appointed incoming TO. The TOs are better positioned to manage this

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and they have the ability to use their statutory powers where necessary to expedite the consenting process. Independent verification of the proposed needs case and solution could on the one hand be useful in determining whether in fact the most economic and efficient solution is being put forward but again this must compliment the overall delivery programme.

A transfer agreement should be used to facilitate the sharing or transfer of pre-construction outputs between an incumbent and third party TOs. The staged approach outlined starting with a 'light touch' licence and 'switching on' obligations as the process progresses seems appropriate. Some form of bid separation arrangements will be necessary for the incumbent TOs in order for the process to be transparent and on a 'level playing field'. A ring-fencing arrangement within the existing organisations with an appointed compliance officer seems to be the most appropriate structure.

In summary, the proposed changes should result in increased competition and therefore lower costs to the consumer. We would emphasise that the processes to identify appropriate investment and select the third party TO should not negatively impact on delivery timescales with the associated downsides that this would have.

I hope the above comments prove helpful.

Yours faithfully

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Project Developer