

Ofgem
9 Millbank
London
SW1P 3GE

25 May 2012

Dear Charlotte,

Open letter: Planning for an Integrated electricity transmission system – request for views

EDF Energy welcomes the opportunity to respond to Ofgem’s open letter on planning for an integrated electricity transmission system.

The key points of our response are:

- We are supportive of the initiative. It is important that transmission networks, whether onshore, offshore or cross border, are delivered in a timely, coordinated cost effective manner.
- We agree that the NETSO role is important in achieving the high level aims set out but that incentives need to be looked at carefully.
- System planning for Interconnector development should be an important aspect of the project. Their potential scale and interaction with the development of the transmission networks is likely to be material but also the impact they have in supporting a European electricity market.
- We agree that the regulatory frameworks should not create a barrier to efficient and economic transmission investment and it is important that the frameworks provide a stable investment regime.
- This is a wide ranging and strategic project with a number of interactions with other key projects which means that the timescales for doing this work are challenging.

Our detailed response can be found as page two of this letter. If you have any queries on this response, please do not hesitate to contact me directly, or my colleague Hannah McKinney on 0203 126 2652.

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

Yours sincerely



Mark Cox
Head of Transmission and Trading Arrangements

Attachment

Open Letter: Planning for an integrated electricity transmission system

EDF Energy's response to your questions

Ofgem welcome feedback on our understanding of the issues as set out here and, in particular, we welcome views on the following questions:

1. Whether our objectives and scope of work for the ITPR project are appropriate?

EDF Energy believes the ITPR project is timely and the objectives at this stage are broadly appropriate. This is an important project and, with the developments expected to the transmission system over the coming decade, delivery of a timely, integrated and cost effective transmission system is critical. We believe there is potential uncertainty emerging between the roles and responsibilities of the incumbent NETSO, TOs, and their funding regimes and how these relate to the development of competition in cross border interconnection, and onshore and offshore transmission. This situation is likely to be exacerbated with increasing cross border interconnection and development of the EU electricity market.

Effective system planning is essential given these developments and potentially fragmented regulatory frameworks. Recent changes to interconnector charging arrangements and Ofgem's proposed cap and floor regulatory arrangements mean system planning in relation to interconnectors should be an important aspect of this project.

While not explicit in the letter, it is also important that this project addresses Ofgem's role where system planning intersects with funding the various forms of transmission developments.

We believe timescales for this wide ranging project are challenging given the interactions and related projects (EMR, NSCOGI, EU network codes and target model). Much of the work and conclusions on what needs to be addressed will need to be concluded this current year to tie in with these other developments.

For completeness we suggest that the project objectives along with the project scope could benefit from refinement upon review of industry comments to this open letter.

2. Whether there are additional drivers for the project that should be considered?

The current project drivers identified explore the themes that have been under consideration for some time but the project proposes to address them in a more holistic manner and in greater detail. Of the drivers identified we believe that clarification of NETSO's role is a fundamental area of the ITPR project. This will be essential to understanding the complete process for the development of a coordinated onshore and offshore transmission network along with helping to facilitate the delivery of potential benefits, as identified in the Offshore Transmission Coordination Project. A consequence

of this is then ensuring that the incentives on different industry parties are effective to support an integrated transmission development. We believe there could be potential conflicts of interest with NGET's role as TO onshore and the NETSO role. A further challenge in this context is that NETSO has affiliated businesses in offshore transmission and interconnectors. Therefore, we support a review of this issue and the development of solutions which could address these impartiality aspects.

We also consider NETSO's role in system planning for connection of interconnectors is important. This has been reinforced by the recent exemptions from TNUoS charges which previously would have played a role in providing economic signals relating the GB transmission costs. Given the scale of potential cross border interconnection over the coming decade we support these arrangements being considered holistically within ITPR.

We agree with the other drivers of the project: The role of the national TSO is an important aspect as the EU single electricity market develops. It is appropriate to include consideration of EU developments within the ITPR project. Lastly it is critical that the regulatory regimes support economic transmission system developments. With the potential for multi purpose projects this should be reviewed.

3. Whether there is additional evidence we could consider in understanding the current and future challenges?

The current drivers identifying the current and future challenges are appropriate.

4. Whether the current interactions between the NETSO's role and the role of other TSOs in system planning are consistent and efficient?

To date NETSO have carried out the role of system planning along with other TOs/OFTOs. This has worked effectively and integrated developments are being planned to the transmission system. However, with the scale of investment going forward and with multiple parties involved (TOs, offshore wind developers, OFTOs, interconnector developers) the challenge of facilitating an integrated transmission system will put pressure on this arrangement. To enable this to work effectively we consider that greater clarity is needed on the roles and responsibilities between these parties and consideration of the incentives on these different parties to ensure economic development.

It is not clear that NETSO currently have the tools or incentives to undertake this role effectively. These arrangements also interact with how the transmission investment is funded and implicitly will require Ofgem oversight.

5. Whether the arrangements for and relationship between the NETSO and other TSOs (for example, interconnector owners) appropriately incentivise system planning?

See question 4 response.

EDF Energy
May 2012