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14<sup>th</sup> Dec 2012

**Open letter: Update on the Integrated Transmission Planning and Regulation  
Project – request for further views and evidence**

Dear Charlotte,

EDF Energy welcomes the opportunity to provide further views in response to Ofgem's open letter on planning for an integrated electricity transmission system.

The key points of our response are:

- We remain supportive of the project initiatives. It is important that the arrangements to facilitate the delivery of transmission networks, whether onshore, offshore or cross border, are timely, coordinated where possible and cost effective.
- We consider greater clarity is needed in overall responsibility for system planning. In future we see a broader role for NETSO to become a central body that manages and oversees the development of the GB transmission system whether onshore or offshore.

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: Update on the Integrated Transmission Planning and Regulation Project – request for further views and evidence

#### EDF Energy's response to potential issues believed to pose as a barrier to facilitating an integrated network:

- 1. The obligations and incentives on the multiple parties involved in system planning may not ensure that individual transmission networks or assets develop in line with the overall needs of the system.**

EDF Energy believes that the current interface between multiple parties and their applicable obligations and incentives can result in an uncoordinated approach, impacting connection and commissioning activities of new projects and developments on the transmission system. With increasing developments across the GB market, including new technologies, and more TOs being created both Offshore and Interconnectors, we consider coordination and effective transmission development will be challenged further.

There are existing market contract arrangements which provide clarity on obligations and responsibilities of parties (e.g. CUSC, STC, Grid Code and for Nuclear, the Nuclear Site Provisions Agreement (NSLPA and SNSLPA (Scotland))) but we consider that these will become challenged given the fragmented roles and responsibilities of transmission system developments in GB.

From our experience this is already starting to happen. For instance transmission outage planning is becoming increasingly challenging given the number of new connections to the transmission system and the level of outages for reinforcement and network investment. These outages provide commercial risk to our existing stations due to the potential impact on their route to market and for the nuclear stations also provide a safety risk. In Scotland the incentives between asset management, maintenance and investment versus constraint management are not internalised. This can lead to conflicts and changes in outages. As a User of the transmission system we are affected by these changes and any inefficient costs incurred. With further integration of the transmission network and new TOs we believe these arrangements and incentives needs to be improved.

We are also aware of new technology being installed, e.g. HVDC circuits, compensation equipment etc, to manage the development of the transmission system in a cost effective manner. However, this new technology will create new issues such as disturbances and harmonics on the system. While there are working groups considering these issues this relies on effective collaboration.

With a more complex and integrated transmission system in the future we consider greater clarity on responsibility for system planning is important. This is the case for onshore as well as offshore. With Generator Build for offshore networks it is important that there is an overview of these developments to ensure that they are efficient in the wider transmission network. Clearly it is important that offshore developers are protected in this process to ensure that they still get an economic and timely connection but a single party should have responsibility for the overall high level design.

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 to ensure economic development and optimal system operation.

Given the challenges described above, we have recently undertaken an exercise to review the respective roles and responsibilities of existing transmission parties (e.g., transmission network modifications and outage planning), as well as their interactions with each other and with the generator. This was a useful exercise as a User of the system to provide greater clarity of roles but demonstrates the challenges.

In future we see a broader role for NETSO to become a central body that manages and oversees the development of the GB transmission system whether onshore or offshore.

## **2. The framework for GB transmission entities to engage through ENTSO-E may not provide a sufficient coordinated view of the needs of the GB system.**

While we see a theoretical issue, we are not convinced at this time that this is a material issue. In part this is because National Grid takes a lead role in this activity. It may though be necessary for the arrangements within GB to be more formalised with time so that National Grid, as NETSO, can continue to provide a strong role within ENTSO-E with support from GB TOs. This will become increasingly the case as the Network Codes are delivered and the role of the national TSO becomes more formalised for instance in Capacity Allocation and Congestion Management or Electricity Balancing.

## **3. Perception of potential conflict of interest for entities with regulated and competitive business is additional evidence we could consider in understanding the current and future challenges?**

The Scottish Companies have recently been assessed as part of the EU Third Package and had to develop arrangements that ensure equivalence of Ownership Unbundling. The industry arrangements are such that we have to discuss our plans for generation development with both the NETSO and the TOs. We take comfort from the derogation arrangements in place which should enable commercial matters to be openly discussed with the NETSO and TOs to facilitate efficient transmission development.

In terms of National Grid the issue is different. Given the wide range of tasks that the NETSO is doing and is being asked to do in future and their range of competitive businesses engaged in delivery, there is a potential conflict of interest. We support the arrangements currently in place and note that this is being further considered through the EMR process to ensure they are effective.

**4. The regime interfaces for multiple purpose transmission projects are potentially unclear, giving rise to a lack of clarity around regulatory treatment.**

EDF Energy believes that there should be a set of tools which Ofgem can use to regulate these projects effectively and provide investor certainty. These should be sufficiently flexible to enable the needs of developers to be met along with protecting consumer interests. The current legal frameworks that underpin the regulation of onshore and offshore transmission and interconnector investment are different and are not coherent. We consider that there is risk that the regulatory frameworks themselves will provide investor uncertainty and/or inefficient outcomes in transmission development.

We support this issue being considered and addressed. The other issues raised in the letter on multiple purpose projects are relevant but appear secondary to the legal framework.

**EDF Energy**  
**December 2012**