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24 November 2014

Dear Sir/Madam

Re: Integrated Transmission Planning and Regulation (ITPR) project: draft conclusions

Thank you for the opportunity to comment on Ofgem's draft conclusions. Each question in the document is addressed in turn below.

Question 1

We support formalising the role that the SO has evolved in to, considering overall co-ordinated and optimised transmission network solutions. The SO's assessment has to be mindful of what can be practically delivered and achieved. It will be important that the supporting processes are efficient and do not result in unnecessary delays to the delivery of network investment or connection dates for individual projects.

Question 2

We have not identified anything further in addition to the assessment undertaken by Ofgem.

Question 3

There may be a requirement for TO's to provide information to enable the SO to complete the NOA document. It is not clear whether this could be achieved through the existing information obligations between the TO's and SO under the SO-TO Code, or whether additional Licence obligations may be required on TO's to facilitate completion of the NOA.

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Question 4

We support the proposed SO led gateway assessment process set out in the document. In identifying a preferred option we would highlight the need to consider what can be practically delivered and achieved, including the financing, construction and stranding risks.

Question 5

We support the principle of extending competitive tendering for specific identified onshore transmission projects. This is on the basis that such an approach can lead to overall reductions to the costs to the consumer of delivering new, high value transmission investments, compared to the incumbent TO.

Question 6

We support retaining the flexibility between approaches to enable new interconnector investment.

Question 7

Where a project is not classified as an interconnector, we agree that GB consumers should not be exposed to the risk of high transmission costs or under-utilised investments. Whilst the option of consumer underwriting could be considered again in the future, we agree that it will be important to understand what risks the consumer would be exposed to in providing underwriting and also on what basis the non-GB generator would be participating in the GB market, to ensure that no competitive advantage is conferred.

Question 8

Notwithstanding that all investment decisions in this sector involve a degree of risk that the attached regulation may change, providing certainty at the point an investment decision is taken, by maintaining continuity in the regulatory approach to the original asset where possible, is sensible.

Question 9 and Question 10

We agree with Ofgem's assessment of the areas where conflicts of interest may arise under the proposed enhancements to the SO role and welcome the principle of the proposed extent to protect and mitigate against these risks; in terms of the four key aspects identified and the ring-fencing and business separation



measures. We will consider the specific Licence Condition drafting when it is consulted on.

Question 11

Given Ofgem's role we do not see the value in further additional independent scrutiny of the proposed enhancements to the SO function.

We hope you find our response of help and would be happy to discuss any aspect of it with you further.

Yours faithfully

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