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12 January 2016

Potential RIIO-T1 and GD1 mid-period review

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, 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 have not addressed Ofgem's specific questions but make the following points:

We agree with Ofgem that there are issues in RIIO-T1 that could be addressed through a mid-period review (MPR) and would welcome further work in this area. In particular, we are supportive of the following issues being considered by Ofgem:

- **Strengthening the relevant licence conditions (or guidance documents) regarding the project proposals within Strategic Wider Works submissions.** It is absolutely critical that TOs submit the most economic and efficient proposals (having considered a range of alternatives) to ensure that consumers are getting the best deal from these projects. We hope TOs are already doing this, but if they are not, having an explicit obligation in the licence will be beneficial for consumers. Formalising such a requirement for future projects will also be useful in the context of onshore competitive tendering.
- **Developing further guidance/licence change on monitoring needs cases for projects in construction.** We expect TOs to review each year whether it is prudent to continue spending on a project in construction, especially when they are aware that there have been changes in circumstances. It may be illogical and to the detriment of consumers to continue investing in projects where the needs case has fallen away. Again, we find it surprising that TOs are not proactively monitoring needs cases for projects in construction but if this is the position, we would be supportive of developing further guidance/licence change on monitoring needs cases for these projects.
- **Introducing an availability incentive for Scottish island links.** We share Ofgem's concern that the incentives in place for TOs to ensure faults are addressed in a timely fashion may not be sufficiently strong and for the Scottish island links, an availability incentive for companies which operate (or will operate) these links would be beneficial. As stated in the consultation, OFTOs have an availability incentive and we also believe interconnectors being awarded the cap and floor regime also have this incentive. We see no difference with the Scottish island links and would support introducing an availability incentive. Similar arrangements are also being considered under onshore competition.
As mentioned by Ofgem, subsea links are much harder to repair when there is a fault and have a significantly longer downtime compared to onshore connection. These

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circumstances combined would make it very challenging for the generators to form viable and financeable projects that could be in consumers' interests. There is a need to ensure that the right incentives are in place to ensure that TOs invest in reliable economic equipment (not just lower capital costs) so that overall costs, including constraints costs, are minimised. This should be in the best interests of consumers. An availability incentive seems like an appropriate mechanism.

- **The need for an assessment of cost-efficient funding requirements for NGET's enhanced SO function and onshore competition roles.** We agree with Ofgem that the MPR is an appropriate mechanism to assess and agree the costs associated with NGET's enhanced SO role and onshore competition roles. We would highlight that the benefits deriving from NGET's enhanced role should also result in a cost reduction elsewhere. The assessment will need to identify and assess cost savings in addition to the extra funding required as a result of the enhanced SO role.

In terms of RIIO-GD1, again we have not answered Ofgem's specific questions but highlight one issue. The involvement of GDNs in the smart meter rollout has become much clearer since RIIO-GD1 was agreed and we believe it would be timely to revisit this in the MPR. We consider that there is very limited visibility and transparency on how GDNs are spending their allowance preparing for smart metering rollout. On the electricity side, we receive some updates from the DNOs but on the gas side we do not receive any information on their current performance and planning arrangements (e.g. how they will be ready for the volume of issues that will arise in the mass rollout). We think this is an area that could require further examination through an MPR as it could pose a threat to the success of smart meter rollout.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact Mari Toda on 07875 116520, or me. I confirm that this letter may be published on Ofgem's website.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Mark Cox".

Mark Cox
Head of Transmission and Trading Arrangements