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## **Extending Competition in Electricity Transmission: Tender Models and Market Offering**

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.

Development of transmission infrastructure is a critical part in facilitating the Government's objectives to move to a low carbon and secure energy system. It is important that the arrangements to introduce competition into electricity transmission balance the incentives to drive down costs of new transmission infrastructure with the need to ensure its timely delivery. We are supportive in principle of Ofgem's intention to bring greater benefits to consumers through the introduction of onshore tenders for electricity transmission but these benefits must be weighed against Government's broader objectives.

As a major developer of generation projects, including a significant new nuclear build programme, we have a strong interest in the development of the arrangements to introduce onshore tenders for transmission assets. We do not have strong views on the direct questions raised in this consultation but we have taken this opportunity to raise a number of our overriding concerns.

**Delay risk for route to market:** Despite Ofgem's clear intention to minimise additional delay risks relative to the status quo delivery of transmission infrastructure by Transmission Operators (TO) there are additional risks. In particular, the introduction of a new, additional tender process into the delivery of transmission infrastructure brings interface and delay risk, but also the introduction of new, potentially unknown, companies into this sector. Consequently generators could incur increased financing costs where the risk profile of the project is perceived to increase.

As mentioned in our response to your previous consultation, transmission projects that have already significantly advanced through the planning process, such as the new Hinkley-Seabank line, should not be subject to these new arrangements. We believe that attempts to introduce the new onshore arrangements at this late stage would lead to

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delays to planned connections. For example, for Hinkley Point C, any delays to the connection would cost many several million pounds per day. This loss will very rapidly eliminate any commercial gains achieved through competing the transmission connection.

We note that Ofgem is still developing the process for identifying assets that meet its suitability criteria and for making decisions on whether to tender those assets. We believe that any criteria for selecting transmission assets should have a clear role for any impacted generation developers. Ofgem's criteria for project selection should reserve competition to non-enabling works except with explicit generator agreement and/or tender only constructed projects (like the existing OFTO regime).

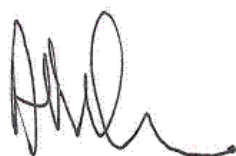
Ofgem's criteria and assessment should also take into account any transmission infrastructure that may be part of the connection of a nuclear site. There are specific arrangements that need to be adhered to for these sites and this should be factored into Ofgem's process.

**Overall System effectiveness:** as previously highlighted, once infrastructure is constructed, it is important that the integrity and operability of the overall system is maintained. In parallel to developing the competitive tender process Ofgem should focus on developing the right incentives on TOs and SO to ensure interface issues are managed effectively. It should be a priority for Ofgem to develop and place the right incentives on network companies to ensure that generators continue to connect to a highly reliable network.

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**