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Consultation on licence changes to support electricity transmission competition during RIIO-T1

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 welcome the opportunity to comment on the expected licence changes to the SO and TO licences to implement Ofgem's 'Decision on criteria, pre-tender and conflict mitigation arrangements'. It provides a useful insight to the next steps and the high level tendering processes of the Competitively Appointed Transmission Owner (CATO) framework.

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. 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 therefore vital 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.

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.

As stated in our previous response, we believe that attempts to introduce the new onshore arrangements to transmission projects that have already significantly advanced through the planning process, such as the new Hinkley-Seabank line, could lead to delays to planned connections, leading to higher financing costs and eroding any anticipated consumer benefit from introducing competition to onshore transmission.

Running the CATO tender process will add additional time, cost and risk to the overall connection process which means that the overall benefits from the competitively run tender process would need to outweigh the costs developers could potentially incur as a

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

In addition to these process risks, a further significant uncertainty is the necessary legislation. Introducing onshore tendering will require government legislation, and with the pressing national priorities it is unclear when this will happen. We note from the North West Coast Connections (NWCC) consultation that Ofgem is currently anticipating that the arrangements will be in place in mid-2018 with the first CATO appointment possible in mid-2020. Preliminary works are expected to transfer to the CATO at licence grant but in practice, the transfer of consents, permissions and rights to enable CATO construction are likely to be complex and take significant time, possibly taking the timescale into 2021. These timescales are not compatible with the connection programme, currently envisaged as 2025, for Hinkley Point C.

While we note the additional mitigation measures Ofgem has developed to address delay risk, we continue to believe 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).

We would welcome the opportunity to discuss our own investment plans, specifically around Hinkley Point C and the issues highlighted in this response. If you have any queries, please contact Mark Cox on 01452 658415, 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 "Angela Hepworth".

Angela Hepworth
Corporate Policy and Regulation Director