



Ofgem  
9 Millbank  
London  
SW1P 3GE

Email: Andrew.Stone@ofgem.gov.uk

31 March 2017

**Consultation on proposed approach to cost recovery in relation to Capacity Allocation and Congestion Management mechanisms for electricity interconnectors**

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 agree that GB interconnectors involved in the NWE Price Coupling Project and Cross Border Intraday (XBID) Project should be able to recover their efficient costs associated with these Pilot Projects and the enduring arrangements. The cost recovery approaches proposed for the enduring arrangements (both development and transaction costs) are sensible and we agree with Ofgem's proposed approach.

In terms of the cost recovery of development costs of Pilot Projects, we understand that Ofgem is proposing to recover these from transmission network use of system (TNUoS) charges. The development cost relates to the cost of creating and providing the CACM capability; these are fundamentally software rather than network costs. We understand that in the past, similar system costs have been allocated to Elexon or to BSUoS charges. In order to minimise distortions to network charges, Ofgem may wish to reconsider whether TNUoS is indeed the right place to recover these charges, although partly this may be dependent on materiality.

If TNUoS charges is considered an appropriate cost recovery mechanism, it is essential that the industry is given sufficient notice before such costs are recovered allowing all parties to factor these additional costs into their cost base. It certainly is not appropriate to recover these costs through retrospective charges. We welcome further discussion with Ofgem to better understand how these adjustments might be made in practice before any decision is made.

**EDF Energy**  
40 Grosvenor Place, Victoria  
London SW1X 7EN  
Tel +44 (0) 20 7752 2200

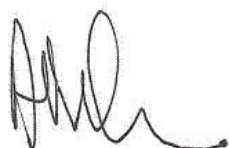
[edfenergy.com](http://edfenergy.com)

*EDF Energy plc  
Registered in England and Wales.  
Registered No. 2366852.  
Registered office: 40 Grosvenor Place,  
Victoria, London SW1X 7EN*

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**