RWE Supply & Trading

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Dear

Consultation on a potential RIIO-T1 and GD1 mid-period review
November 2015

We thank you for the opportunity to respond to this Consultation. The comments are provided on behalf of RWE Supply and Trading GmbH, RWE Generation UK plc and RWE Npower Group.

The RIIO Final Proposals included provision for a mid-period review (MPR) of outputs, subject to certain criteria. Ofgem has identified a number of issues in RIIO-T1 within scope of these criteria that could be addressed through an MPR. Although we understand the MPR would not change the key financial parameters, the RIIO framework has led to more variable revenue allowances year on year for the networks. As a consequence, network charges have become more volatile and unpredictable, particularly for gas transmission. Potential changes to existing outputs or any new outputs that are required may improve stability over the remainder of the price control. We agree that Ofgem should:

1. proceed with an MPR for RIIO-T1 for both Electricity and Gas Transmission; and
2. not proceed with an MPR for RIIO-GD1.

Ofgem will have the primary role in assessing these issues and ensuring that specified outputs are met and network investment are economic and efficient and continue to meet the needs of consumers and other network users. While stakeholder input will help inform the discussions, information asymmetry between the networks and the rest of the market may limit the extent of any engagement.

At this stage, we have not addressed specific questions raised in the consultation, but wish to make the following general comments:

- We support consideration of additional formal reporting requirements to mitigate the risk of stranded investments;
- We believe that it is important to clarify the treatment of outputs that are no longer needed and also of outputs that are substituted for alternatives that meet similar needs;
- We agree that the treatment of late or non-delivery of outputs needs to be clarified.

If you require any additional information or wish to discuss any aspects further, please do not hesitate to contact me.

Yours sincerely

By email so unsigned

Charles Ruffell
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Commercial Asset Optimisation UK