Graham Frankland
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Dear Graham

National Grid Electricity Transmission Stakeholder Engagement Consultation

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, combined heat and power plants, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including both residential and business users.

We welcome the opportunity to respond to this consultation, and the key points of our response are:

- The publication of National Grid's business plan has been welcomed providing a significant level of detail and transparency to the industry. To aid future engagement it would be beneficial to have a summary document that provides an overview of National Grid's proposals using a standard format.
- The electricity industry is facing a period of fundamental change as it looks to decarbonise; however, the precise path for achieving government targets and the impact of government policy is still unclear. It is therefore appropriate that National Grid employs uncertainty mechanisms so that it can respond to changing requirements.
- In the face of uncertainty there is a strong appetite from the industry for National Grid to deliver predictable and transparent charges to aid the development of business plans. It may therefore be beneficial were National Grid to provide a long term view of the profile and composition of their annual allowed revenue.
- We do not support any move to a targeted N-1 approach to system operation at this time. This could have significant safety and licence implications for generators and transmission owners and this does not appear to have been considered.

The level of transparency National Grid has published in their business plans is welcome. This clearly represents the culmination of a significant piece of work and it appears that the information made available to Ofgem has also been made available to the industry. However, there is an unprecedented level of detail and volume within these plans which makes it difficult to identify the key issues and facts that are pertinent to stakeholders. To aid future stakeholder engagement it may be beneficial for National Grid to publish a

summary of the business plans that sits between the detailed supporting documents and the high level summaries. Ideally the Transmission Owners could follow a standard format setting out the key elements of their business plan along with supporting information.

Overall it would appear appropriate for National Grid to employ risk and uncertainty mechanisms to ensure that costs to consumers are minimised whilst ensuring that the business plan and funding can be flexible in the face of an uncertain future. We note that the impact of EMR, smart metering and Government support for low carbon generation as well as Project TransmiT could have a significant impact on how the electricity transmission system develops. At the same time it would be beneficial to have greater clarity on how these flexibility mechanisms will be employed and their impact on National Grid's ability to deliver predictable and transparent charges. The main uncertainties during the price control period relate to transmission build which generally has a relatively long lead time. It would therefore appear reasonable to expect that the impact of these uncertainty mechanisms on charges will be known several years prior to having an effect. Finally it should also be noted that the uncertainty mechanisms employed by National Grid appear to have been developed to reduce their risk exposure as they disagree with Ofgem's indicative cost of capital. From our perspective it would therefore appear that National Grid has greater control over some of the uncertainty mechanisms than they are suggesting and these should be reviewed.

Although stability in electricity charging arrangements is valued it would appear that predictability and transparency of information is more important given the nature of current charging arrangements. We continue to support the use of a locational signal for charging to ensure an optimally sized network is developed. It would be beneficial were National Grid to start forecasting their maximum allowed revenue (MAR), broken down into its key components to aid stakeholder who wish to forecast the impact that MAR will have on TNUoS charges. We note that currently most of the larger transmission owners forecast MAR for their stakeholders, and so we would encourage National Grid to also produce this information.

In the face of significant investment across the three electricity transmission owners the publication of the network availability policy should be welcomed. It is important to generators and customers to ensure that investments and outages are co-ordinated to minimise the impact on constraint costs and ensure that the system is developed in a safe and efficient manner. The publication of this policy will enable stakeholders to understand how this planning process will be managed and help to ensure effective communication so that this could be co-ordinated with any local or plant maintenance.

At this stage we do not support any move to a targeted N-1 system operation approach. In particular we note that there are safety implications from moving away from an N-2 approach to system operation that impacts on some parties licensing requirements that do not appear to have been considered in relation to a move to a targeted N-1 approach. Further this approach would appear to go against the recent Weightman report to the Government which recommended that National Grid should work with interested parties to help ensure that reliable and secure transmission supplies are available for safety

reasons. These issues need to be given greater consideration, and National Grid needs to demonstrate that there will be no unintended consequences as a result of moving to an N-1 system operation approach.

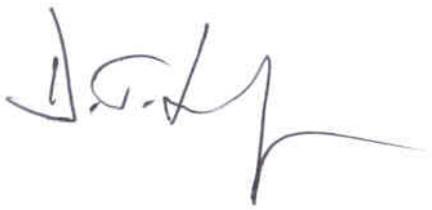
The transmission system is operated and balanced in real time and so could be considered to be a smart network; however, embedded generation is having greater impacts on the operation of the transmission system. In addition the role out of smart meters and AMR may provide National Grid access to different commercial tools to facilitate its system operator role and respond to the challenges in forecasting embedded generation. It is unclear what timescales these new services will be available over; however, the absence of any smart metering opportunities from National Grid's business plan is noticeable.

As recognised by National Grid the changing generation and supply environment will create new challenges for National Grid in their role as System Operator. It would therefore appear appropriate that National Grid should invest in the systems and processes that will be needed to manage the system so that costs to consumers are minimised. At the same time we note that there are significant uncertainties regarding the timing and scale of the impacts that these will have. It would therefore appear appropriate that National Grid only takes the "no regret" investments so that costs to consumers will be minimised. It would also be beneficial to understand what low or no cost options National Grid is pursuing to help manage its system operator role. In particular we note that there has been a general recognition that National Grid has a role to play in educating plant operators who may now be required to be active participants in the balancing mechanism due to changing generation patterns. This could represent a low cost option and have a significant impact on the costs faced by consumers.

The stakeholder engagement that has been employed by all of the network owners has been welcome, and helps to ensure that they are able to input into the business plans. At the same time the degree of stakeholder engagement has been surprising and there has been some repetition of messages to the TOs on certain issues. Going forward it would appear that there would be a value in co-ordinating with the other TOs so that common issues could be covered in a single meeting. Further there may be a benefit in co-ordinating consultations and timetables amongst the TOs and with Ofgem to avoid numerous consultations being issued at similar times with the similar close out dates.

I can confirm that this response is non-confidential. Should you wish to discuss any of the issues raised in our response or have any queries please contact my colleague Stefan Leedham on 0203 126 2312, or myself.

Yours sincerely,



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