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Dear John,

Report on the enduring 'Connect and Manage' grid access regime

Thank you for your letter of 30 September providing me with a second report on impacts of the enduring 'Connect and Manage' grid access regime that my Department introduced in August 2010.

Given the scale of investment required in new generating capacity over the next decade, it will be important to maintain a clear and stable grid access regime for investors. Ofgem is, of course, considering timely connection issues under Project TransmiT and I would be grateful if your officials could continue to liaise with mine in order to ensure that this work helps to realise the full benefits of 'Connect and Manage'.

I welcome the progress made on approving priority network investments highlighted in your report which should have a positive effect on future constraint costs. Whilst National Grid's 'more likely' assessment for constraint costs arising from 'Connect and Manage' has decreased since the last report, the full range of options available to minimise such costs should continue to be considered.

I agree that there would be merit in taking a longer-term view on the overall impacts, and I would therefore suggest that such reports are submitted on an annual basis in future. However, if Ofgem identifies any particular issues of concern in the interim period, I would be grateful if this could be drawn to the attention of my officials.

Yours sincerely,

Charles Hendry

CHARLES HENDRY