

Future Electricity Networks Team
Department of Energy and Climate Change
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14 April 2010

Improving Grid Access - Technical consultation on the model for improving grid access

EDF Energy welcomes the opportunity to respond to this consultation. The key points of our response are as follows:

- We fully support DECC's preferred approach of a Connect and Manage (C&M) socialised cost model for enduring grid access. At the same time, it is important that any costs associated with this access model are minimised.
- DECC's choice of access reform will help create the right climate for investment in new low carbon generation which is required if the UK is to meet its climate change targets for 2020 and beyond.
- We agree with DECC that code and licence changes must be drafted to deliver a significant period of stability for industry so that the required investment climate can be created and maintained.
- However, we are concerned that DECC's proposed new licence condition which is intended to veto locational BSUoS is not robust. We believe a risk remains that DECC's determination may be undermined by future inconsistent or non-complementary industry rule changes.
- We propose in this response alternative wording which we would like DECC to consider. We believe this will better meet DECC's determination that charges resulting from transmission constraint costs "are fully socialised as they are under the Interim Connect and Manage arrangements".

Government objectives of this reform

The Government's targeted and timely intervention on grid access reform will contribute to the development of an appropriate investment climate that delivers security of supply and ensures that climate change objectives for 2020 and beyond can be met. With this in mind we fully support the Government's decision to embed the key features of the new grid access regime as a Public Service Obligation on transmission licence holders.

DECC has set out the policy aims of an enduring access regime in the context of minimising costs to consumers, namely to:

- Provide sustained, commercially viable connection opportunities and firm connection dates reasonably consistent with project development timescales which will ensure the right environment for investment in new generation.
- Deliver security of supply and a clear path to delivering renewable energy targets.
- Implement in a time-scale consistent with delivery of the Government's aspirations for 2020.

We agree that the Government's targeted intervention on grid access will meet these policy aims and recognise that there may be opportunities to minimise the costs to consumers that arise from a C&M model. We refer you to the 'minimise and socialise' model of C&M we discussed in our response to your earlier consultation on Improving Grid Access¹. However, any future amendments to the transmission access and charging regime must be consistent with the Government's overall energy policy and in particular the intent of this determination.

We agree that of the three options² presented in DECC's earlier consultation the C&M socialised model represents a straightforward extension of the current 'Interim Connect and Manage' arrangements. It is a transparent model which can be easily implemented in the timescales consistent with the Government's policy aims.

Delivering the policy aim

We welcome the proposed code and licence amendments to implement DECC's proposed determination. It is clear that substantial effort has been made by a number of parties to develop these amendments in short timescales.

A robust and stable access and charging regime will reduce regulatory uncertainty and provide the right investment climate for new generation. It is through appropriate code and licence drafting that this determination can be delivered. Such amendments should be robust and non-subjective in order to ensure that the determination will not be undermined by further inconsistent or non-complementary industry rule changes which can be proposed at any time.

We have reviewed the draft amendments in some detail and believe there remains a risk that DECC's determination may be undermined by further inconsistent or non-complementary industry rule changes. In particular, Clause 9 of the new licence condition C[x] does not in our view meet the intended statement that charges resulting from transmission constraint costs "are fully socialised as they are under the Interim Connect and Manage arrangements". The drafting states:

The licensee shall use all reasonable endeavours to ensure that in its application of the use of system charging methodology in accordance with standard condition C5 (Use of system charging methodology), use of system charges resulting from transmission constraints

¹ http://www.decc.gov.uk/en/content/cms/consultations/improving_grid/improving_grid.aspx

² The two further options being Connect & Manage Hybrid and Connect & Manage Shared Cost and Commitment

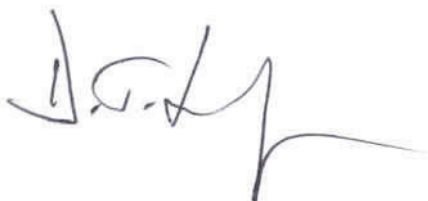
costs are treated by the licensee such that the effect of their recovery is shared on a per MWh basis by all parties to whom the relevant use of system charge applies.

It is our view that the use of "*all parties to whom the relevant use of system charge applies*" remains subjective and does not deliver the clear intent that costs continue to be **fully** socialised as they are under the current 'interim connect and manage' arrangements i.e. shared equally by all generators and suppliers through Balancing Services Use of System (BSUoS) charges. We propose alternative wording (see comment 3 in the attached schedule) in this response which we would like DECC to consider. We believe this better meets DECC's determination that charges resulting from transmission constraint costs "are fully socialised as they are under the Interim Connect and Manage arrangements".

We have responded to your consultation questions in the attachment to this letter. Further detailed comments on the code and licence amendments are in the accompanying Schedule.

If you have any queries on this response or would like to arrange a meeting to discuss it further, please do not hesitate to contact my colleague Rob Rome on 01452 653170, or myself.

Yours sincerely

A handwritten signature in black ink, appearing to read "D. Linford".

Denis Linford
Corporate Policy and Regulation Director

Attachment

Technical consultation on the model for Improving Grid Access

EDF Energy's responses to Consultation Questions

1. Do you agree that the proposed model for reforming grid access would best meet the Government's objectives for this reform? We would particularly welcome comments on:

- **The definition of 'enabling works';**
- **The process for derogation from the SQSS;**
- **The extension of user commitment;**
- **The transition arrangements.**

As we have discussed EDF Energy fully supports the Government's objectives for this reform and agree that of the three options consulted upon in 2009, the proposed C&M Socialised cost model best meets these objectives.

Definition of 'enabling works'

EDF Energy welcomes the flexibility of the approach to the definition of 'enabling works' and the use of a 'maximum enabling works' definition. We support the mechanisms which will be used to report against this maximum. As the new arrangements become part of business as usual for the System Operator (SO) a better understanding of the effectiveness of the definition will become apparent. We note that the normal industry governance processes will allow this definition to evolve which represents both an opportunity and a risk to new developers and the SO. It might be assumed that the greater the extent of works required the longer the potential queue for a new connection date.

Process for derogation from the SQSS

EDF Energy recognises that derogations from the SQSS are the responsibility of transmission owners (TOs) and a matter for the Authority. It is however important that there is transparency to all system users when and where a derogation is in place. A minor development to the existing Transmission Works Register (as defined in the CUSC) could be used to highlight what works are required in order for the transmission system to be compliant.

Extension of user commitment

EDF Energy has previously stated its view that for efficient planning purposes TOs may value a form of post-commissioning commitment from all generators. We also support the existing basis of a rolling notice period. EDF Energy agrees with the proposed extension of user commitment to two-years as this seems a reasonable balance between information provision to the TOs and the ability of users to give notice.

Transition arrangements

The transition arrangements for generators holding an Interim C&M agreement seem reasonable and appropriate; we further support the use of a phased implementation for user commitment.

2. Do the proposed licence and code amendments deliver the policy aim?

We refer you to our comments above in respect of the stability of code amendments which we believe to be an imperative part of delivering the aims of this determination. While we agree with the intent of the amendments (particularly those intended to veto any form of locational BSUoS) we do have concerns regarding the drafting of Clause 9 of the new licence C[x].

The attached schedule contains our detailed comments on the drafting of code and licence changes.

3. Do you think there are any other changes to industry codes and licences or any other actions needed to implement the model?

Please see our comments (in change-marked form) in the attached schedule.

EDF Energy
April 2010