



Department
of Energy &
Climate Change



Department
for Business
Innovation & Skills

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The Rt Hon Michael Fallon MP
Minister of State

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13 January 2013

Dear Mr Marlee,

Report on the enduring ‘Connect and Manage’ grid access regime

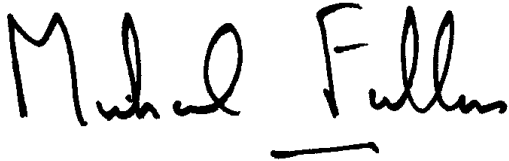
Thank you for your letter of 5 December providing me with a fourth report on the impact of the enduring ‘Connect and Manage’ grid access regime introduced in August 2010.

I welcome the fact that ‘Connect and Manage’ continues to deliver earlier grid connection opportunities for renewable and non-renewable projects across GB, and that key grid investments are being progressed. The long-term solution to connecting new generation and minimising constraint costs is, of course, timely and cost effective investment in new grid infrastructure.

At the same time, it is important that we get the most from the existing network. Your report sets out some of the actions taken by National Grid over the last year to maximise existing capacity and make it available to developers. I am keen that National Grid continues to look for further opportunities, working with developers where appropriate.

I strongly support the range of measures put in place to ensure that constraint costs are minimised, including Ofgem’s System Operator Incentive Scheme, the Network Access Policy and the Transmission Constraint Licence Condition. Of course, it is essential that all generators support these efforts by taking a responsible approach to their constraint pricing, and Ofgem’s continued proactive monitoring of pricing behaviour is therefore most welcome. I note that there has been a significant overall decrease in National Grid’s estimate of constraint costs expected to arise from ‘Connect and Manage’, resulting from the updating of National Grid’s models and assumptions. Estimation of future constraint costs is complex and Ofgem will, of course, want to ensure that National Grid’s modelling continues to be as robust as possible.

I would be grateful if your officials could continue to keep mine updated on relevant aspects of these work programmes.

A handwritten signature in black ink that reads "Michael Fallon". The signature is written in a cursive style with a horizontal line underneath the name.

The Rt Hon Michael Fallon MP