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European Regulators' Group for Electricity and Gas  
Council of European Energy Regulators ASBL  
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Dear Fay

### **Draft Advice on the Community-wide Ten-year Electricity Network Development Plan**

EDF Energy welcomes this consultation document and the provision of further insight into what is envisaged in the Ten-year Electricity Network Development Plans.

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, renewables, coal and gas-fired electricity generation, combined heat and power, electricity networks 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.

EDF Energy supports all moves to help increase the transparency of network planning issues both nationally and EU-wide which should facilitate the creation of more unified EU energy markets. The Ten-year Electricity Network Development Plan may well be helpful in that regard and the proposals as set out appear to us to be generally well thought out. We have not therefore responded to the detailed questionnaire as we approve the general approach. Nevertheless, there are a number of points that EDF Energy would like ERGEG to consider for the next draft of the document and, indeed, when developing the plan itself. They are as follows:

- Interconnectors built and financed within a market framework with independent TOs/TSOs are a relatively new phenomenon in the industry. However, they will be increasingly important in contributing to successful market integration and maintaining security of supply within the EU.
- To build an interconnector as a commercial enterprise in such circumstances requires the TO/TSOs to take a view of the markets on either side of the new facility and the trading and balancing opportunities the new asset will facilitate. The TO/TSO therefore effectively become market risk takers, especially when investing in higher cost HVDC interconnectors.
- Provided the data can be relied upon, the Ten-year Development Plan could be a useful document for both TO/TSOs and private companies to help reduce the risks of stranded assets by helping them better assess the potential feasibility of building additional interconnector capacity. In performing that function, it will also benefit the overall system by helping ensure that new assets are built only where they are actually needed.

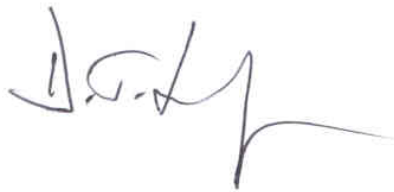
- There would appear to be an inaccurate and unfortunate assumption throughout the present draft document that interconnectors are always TSO led. This need not always be the case. For example, the interconnector between England and France, the IFA, is regarded as a merchant interconnector and has been since 1990. It would therefore be helpful if there were explicit references made to Merchant Interconnectors in the next draft.
- Information sent in by the TSOs to ENTSO-E for inclusion in the Ten year plan should include information for both TSO-led and Merchant Interconnectors on: existing interconnectors, those under construction and those planned facilities that have signed connection agreements. It would not be appropriate in our view to include details of any proposals for speculative or proposed Merchant Interconnectors that might be under consideration, (e.g. prior to a Connection Agreement being signed), as this information may be commercially confidential and/or unreliable.
- The need for a well co-ordinated joint planning process between TSOs is very important for interconnected power systems, particularly for AC ones; but even DC systems require a considerable number of scenarios to be tested, as the potential for imports and/or exports is considerable. Great Britain and Ireland are island systems, only interconnected to each other and to the continental power system by relatively weak HVDC interconnectors. Therefore they are not subject to the through-flow problems experienced on the wider continental European system. Nevertheless the need for joint planning still exists.
- EDF Energy believes that National Grid, as GB SO, will be the key provider of information for the plan. It could quite easily provide information from its Seven Year Statements. We believe that that it would be more efficient and easier for NG to do this based on additional 3 years' data provided by the generators and suppliers. In future, NG would have to produce Ten Year Statements (as it currently does for gas) in place of Seven Year ones. This would ensure consistency and adequate transparency of information flows, but may require a change to NG's transmission licence.
- Data included in the Ten year plans are likely to be based on publicly available information. Presumably, generation details will be based on what is actually installed, supplemented by assumptions related to some selected scenarios on closures, new build and demand growth. The longer the time horizon, the more uncertain the assumptions and hence this data will become.
- Hence there is no need, in our view, for individual generators or suppliers to provide the generation and demand information direct to ENTSO, as it will already have been provided by them to National Grid. The expectation would be that the Ten year plan would be based on the information from National Grid and it would be consistent with the Seven/Ten Year Statements.
- In our view, it would be almost impossible for participants (or indeed anyone else) to identify with any certainty the use of any interconnector up to ten years ahead. Leaving aside any issues of commercial confidentiality, the nature of interconnectors is that any assessment of the eventual flows depends on assumptions on market economics and price differentials over the period. The interconnectors do enhance the ability of the system operators to generally support each other, which may be due to fluctuating demand or generation in the short term. They may also have long term strategic benefits. However, their main use, and hence the primary determinant of future flows, will be arbitrage trading opportunities between the inter-connected markets. The forward price

curves, upon which the identification of potential trading opportunities rely, are very sensitive to assumptions and certainly do not go out as far as ten years..

- There needs to be recognition within the Network Development Plan that the GB system operates to an N-2 security standard, as opposed to the N-1 criteria on the continent. The technical criteria will therefore be different either side of the Anglo-French and BritNed interconnectors.
- On a more general regulatory point, but nevertheless related to the outcomes from the Ten year plan, EDF Energy believes that if an assessment of the plans reveals that more interconnectors are identified as being required, then more flexible regulatory arrangements for Interconnectors should be considered to encourage the necessary investment (TSO or Merchant). Issues such as restrictions on the length of contracts, on who can use the facilities and on the use of the revenues, can all introduce significant limitations and risks on the future income from the new assets and hence on the potential returns for investors, which may be to the overall detriment of the overall system and consumers.

We hope you find our comments useful. EDF Energy will assist where it can in the preparation of the Ten-year Network Development Plan as required. If you have any queries regarding this response, please contact my colleague Nigel Edwards on +44 20 3126 2506, or myself.

Yours sincerely

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

**Denis Linford**  
Corporate Policy and Regulation Director