

Mr Guy Phillips
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Coventry CV4 8LG

Ref: EON-Fundrev-1

4th October 2010

Dear Guy,

NETS SQSS – Fundamental Review Update and Consultation Report

Thank you for E.ON's response to the above consultation, sent by Claire Maxim on May 21st.

We acknowledge your concern that there was a large amount of detailed information in the consultation document and that it has been difficult to fully consider all of it and provide a consultation response. In recognition of this we extended the consultation period from four weeks to six weeks and held the industry workshop that you refer to to describe the work. We believe that this extension and workshop provided a suitable balance to the aim of bringing fresh impetus to the review and putting forward proposals that have been developed over the last two years.

We appreciate your comment that E.ON would welcome the opportunity to have greater involvement in discussions on SQSS proposals. It is our intention to engage fully with the whole industry in developing both the future program of work and further proposals, and will welcome contributions from all interested parties.

Thank you for your support for the proposals of working group 4 and for the efforts of working group 1. The proposals have received general support and we will recommend to Ofgem that they are implemented.

We note that you support some, but not all, of the proposals of working group 2 in respect of generation connections. We welcome your discussion of the appropriate capacity term on which to base connection design. It is not the intended that generation should be constrained on an intact network and it is essential that any NETS SQSS criteria reflect this. The proposals were seeking views on the principles, the intention being to develop the work further before making NETS SQSS recommendations. As discussed above, we will involve the whole industry in further work in this area and would welcome your participation.

We agree with your comment that the NETS SQSS does not prevent generation being built. The discussion in the working group 3 report concerns the debate on whether generation is allowed to connect to the transmission system prior to the completion of consequent infrastructure reinforcement identified as necessary through the standards (“Connect and Manage”). This debate on its own does not affect the required capacity of the transmission system. We also agree with your view that transmission investments should not be driven by short term needs – they should be based on their ability to provide a benefit over the life of the assets. We agree that a combination of deterministic rules and cost benefit analysis is a pragmatic way of identifying transmission capability requirements.

We agree that there is considerably more work to do in developing offshore transmission criteria, and that there is a need to account for provisions in networks with which GB will be interconnected. It is our intention to progress this work significantly with the industry in the coming months. We are involved in the work of ENTSO-E in developing greater TSO interconnectivity and will look to keep the industry informed as this work develops.

In accordance with the NETS SQSS governance procedure, which is currently a voluntary arrangement, we will undertake a consultation, starting later this week, on the text intended to implement the proposed changes. As well as providing an opportunity for comment on the text proposals, we believe that this will help clarify which of the proposals we will recommend for implementation now, and which we believe require further development. We will be submitting a report to Ofgem following this consultation. This report will discuss the proposals taken to consultation and the industry comments, and it will make recommendations on NETS SQSS amendments and future work.

Once again, thank you for your comments. Please contact me (mark.perry@uk.ngrid.com – 01926 655468) should you wish to discuss any issues further. I look forward to working with you on the next phase of the review.

Yours sincerely

Mark Perry