



To: soincentives@uk.ngrid.com

National Grid Electricity Transmission System Operator Incentives for 1 April 2010

EDF Energy welcomes the opportunity to respond to Consultation Document 2/09 on the development of the incentive for the Energy Related Components of BSUoS costs

EDF Energy does not support the unbundling of energy related components of BSUoS as the interaction between components is too great to result in a transparent and efficient incentive scheme.

We believe that a longer term scheme is a natural evolution of National Grid's incentives particularly as the market currently faces a number of long term policy goals. Ensuring appropriate incentives on the costs of system operation is a critical part of the necessary investment climate to ensure that these policy goals can be met. Appropriate indexation would seem a logical follow-on from any longer term scheme.

After reviewing NG's analysis of the Net Imbalance Adjustment (NIA) factor we have the following comments to make. We note that moving to a calculation of aggregated data on a daily basis for NIA does make a difference to fit and believe that this would be a fairly straightforward development. However there is a balance to be struck between accuracy of the adjustment factor and simplicity of the formula.

Having introduced 'new' NIA for 2009-10 we do not support any significant or complex changes again for 2010-11. We believe that the performance of this year's NIA should be reviewed over a longer time period than that which can be undertaken to date, prior to proposing any changes.

If you have any queries regarding this response, please contact me on 01452 656370.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'L Schmitz'.

Louise Schmitz
Senior trading consultant, Corporate Policy & Regulation