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**National Grid Electricity Transmission System Operator (SO) Incentives for  
April 2010 – Development of Constraints Forecast 2011/12**

Dear Malcolm

Thank you for the opportunity to comment on the supplemental proposals consultation for National Grid Electricity Transmission System Operator (SO) Development of Constraints Forecast 2011/12. This response is provided on behalf of the RWE group of companies, including RWE Npower plc, RWE Supply and Trading GmbH and RWE Innogy GmbH.

Generally we support the implementation of a 1-year bundled scheme though we recognise that the constraints element of the scheme contains within it the possibility of volatility in outcomes. As we noted in our response to the initial proposals, the uncertainty over potential cost outcomes in year 2 creates the risk for significant adjusters (which may be automatic) or, more importantly, for income adjusting events. This has the effect of increasing the potential risk that the scheme outcomes significantly differ from those forecast. We would support further work to understand whether unbundling or longer term schemes will consistently deliver value to customers.

We welcome increased transparency of the costs of constraints in 2011/12 though we note that there remains considerable uncertainty about the actual outturns. However we continue to believe that in order to provide a view on constraint costs, further information is required to assess whether the incentive scheme operates economically and efficiently. In this context, it is important that National Grid correctly identifies the elements of constraint costs under its control as system operator separately from costs under the control of the transmission owners.

Yours sincerely

By email

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