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Bob Fletcher
UNC Panel Secretary
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Dear Bob

EDF Trading response to UNC Modification Proposal 0285: "Use it or lose it" (UIOLI) Interruptible Capacity only to be released when there is at most 10% unsold firm entry capacity".

EDF Trading (EDFT) welcomes the opportunity to respond to this UNC Modification Proposal.

We strongly oppose implementation of UNC Modification Proposal 0285 for the following reasons:

- There is a significant risk the proposal will lead to an inappropriate balance between long term and interruptible capacity products which will have a disproportionate impact on different groups of shippers. No analysis has been undertaken to fully understand the differential impacts.
- Access to interruptible capacity is crucial to the effective operation of the wholesale traded market – and although we recognize National Grid requires appropriate investment signals – we do not believe the modification proposal will sharpen these signals – and it would be at the detriment of shippers' ability to effectively manage their portfolios.
- Shippers must be able to retain flexibility to secure (interruptible) capacity to flow gas in response to short term market factors including weather, gas supply interruptions and unplanned outages to transmission network/storage/interconnector/LNG capacity. Restricting the amount of interruptible capacity in the way suggested by the proposed modification will prevent shippers from reacting efficiently to such events and could impact on security of supply.
- Restricting the availability of interruptible capacity will also have a significant impact on liquidity in the UK wholesale gas market by preventing shippers from taking steps to efficiently manage their portfolios. This is likely to lead to wider bid-offer spreads and higher prices to customers. The UK gas market is currently the most liquid in the EU and we should not be pursuing measures that will severely restrict its development.
- If shippers have to secure more long term firm capacity this will increase the barriers to entry to the UK market – as these capacity products may not be a good fit with shippers' portfolios as they may not want to commit to long term products.
- If interruptible capacity can be made available without restricting the allocation of firm capacity then National Grid should, given its obligations to operate an efficient network, be maximising its availability. It should not wait until a threshold of unsold firm capacity has been reached as they are essentially different products that will be used by different shippers in different ways.

- ERGEG is currently developing framework guidelines for gas capacity allocation under the 3rd EU Energy package. This will form the basis for a new EU binding network code. This will define the standardised capacity products that should be made available by all TSOs – including interruptible capacity. It is unwise therefore to pursue this modification without knowing more about what the EU process will deliver as there is a significant risk it will need to be reversed or altered significantly.

In summary, the proposed UNC modification should not be pursued given the negative impact it will have on the wholesale traded market; the lack of analysis that has been undertaken to better understand the impact on different shippers; and the need to not prejudge the EU regulatory process which is governed by the new EU Energy Package.

If you have any questions regarding this response please do not hesitate to contact me.

Kind regards



Cemil Altin
Head of Regulation