

John Bradley  
UNC Panel Secretary  
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09 December 2008

Dear John

**EDF Energy Response to UNC Modification Proposals 0233: “Changes to Outstanding Energy Balancing Indebtedness Calculation”.**

EDF Energy welcomes the opportunity to respond to this consultation; we support implementation of modification proposal 0233.

EDF Energy supports the intent of this proposal to allow NGG NTS to use more up to date information when calculating a Users’ indebtedness position and allowing a User to appeal a Cash Call with more up to date information, provided that this information can be validated by NGG NTS. This proposal will therefore ensure that Users exposure to a Defaulting User is not increased due to the EBCC’s inability to use more up to date information. It is EDF Energy’s understanding that in the case of Lehman Brothers more up to date information was available that would have resulted in the earlier default of this User were this information available to the EBCC to act upon. This should be beneficial to competition by ensuring that Users are not exposed to unnecessary costs.

In addition we would note that introducing the ability of a User to appeal a Cash Call should help to ensure that Cash Calls and User Default Rules are only enacted when required. Again it is EDF Energy’s understanding that the EBCC had to Cash Call a User, even though the User had taken all of the steps expected of a reasonable and prudent Shipper. However as the User was unable to appeal a Cash Call, and provide supporting information the EBCC had a limited ability to act accordingly. This should also be beneficial to competition by ensuring that reasonable and prudent Users are not required to provide cash and so risk entering default.

As a general point EDF Energy would note that following a User Default there is normally a suite of modifications to address elements of the UNC that have not worked as well as the industry would have hoped. In particular it has often been commented that the Credit Rules within the UNC work very well until there is a problem. We would note that historically all cases of User defaults have been caused by unique issues, particular to the circumstances. EDF Energy would therefore question whether more power could be provided to the EBCC to respond to these issues as it sees fit. We recognise that this issue has been discussed historically but concerns have been raised about the liability of EBCC members, however we would request that the EBCC gives further consideration to these arrangements with a view to introducing a mechanism whilst addressing the issue of liability. In particular we believe that the following issues merit further consideration:

- The development of predefined actions that can be instigated depending on the circumstances specific to the event.

- The appointment of a 3<sup>rd</sup> party to confirm that the actions proposed by the EBCC are suitable in the circumstances – this could be in the form of an independent credit expert, or NGG or xoserve, who would have the ability to veto any proposed actions if they were deemed to be inappropriate.
- The introduction of a mechanism to limit the liability of EBCC members and any 3<sup>rd</sup> party – this could be funded by the industry.

In addition to the comments raised in the draft modification report, EDF Energy would make the following observations:

**4. The implications for Transporters and each Transporter of implementing the Modification Proposal, including development and capital cost and operating cost implications:**

EDF Energy would seek clarity from the Transporters as to why they would be required to automate some of the current manual processes and so incur development costs? It would appear that the information that this proposal would seek to utilise is already available on the Transporters' systems, and given that this should hopefully be required in limited circumstances it is not clear why this would need automation.

**6. The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users**

Again EDF Energy would seek clarity from the Transporters as to why they would be required to automate some of the current manual processes and so require UK Link changes?

**7. The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk. Development and capital cost and operational cost implications**

EDF Energy believes that the majority of reasonable and prudent Shippers actively monitor both their own positions and those of their trading parties to avoid any unexpected Cash Calls and reduce their exposure to defaults. We would therefore be surprised were Shippers be required to amend their processes to provide more up to date information as a result of implementation of this proposal. EDF Energy believes that this information is already held by the majority of Shippers, however they are unable to submit it as they are unable to appeal a cash call.

I hope you find these comments useful, however please contact my colleague Stefan Leedham ([Stefan.leedham@edfenergy.com](mailto:Stefan.leedham@edfenergy.com), 0203 126 2312) if you wish to discuss this response further.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Seb Eyre".

Dr. Sebastian Eyre  
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