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Dear Julian

EDF Energy Response to UNC Modification 0136V “Reconciliation following AQ Amendment where an SSP becomes an LSP prior to the calculation of Provisional Annual Quantity.”

EDF Energy welcomes the opportunity to respond to this consultation, and support its implementation.

EDF Energy is aware that the current exclusions from the annual reconciliation as introduced by modification proposal 640 creates an incentive on Shippers to notify xoserve of SSPs that have crossed over to LSPs as close as possible to the calculation of the Provisional Annual Quantity (PAQ) in order to avoid the annual reconciliation. Whilst we recognise that these arrangements create an incentive to manage these threshold crossovers we are concerned that the incentive is to manage these prior to the calculation of the PAQ and not as a normal process throughout the year. We therefore believe that this proposal will improve on the current arrangements and address this incentive.

However we also recognise the concerns voiced by Ofgem during the discussions on this modification in the Distribution Workstream that the 90% factor for reconciliation appears to be an arbitrary figure with little or no statistical analysis behind this. Whilst we believe that future work may be warranted in identifying whether 90% is the correct factor, or whether an alternative factor could be adopted, we also believe that this represents an improvement over the current arrangements. This provides an incentive on Shippers to manage their SSP to LSP threshold crossovers during the year as they will avoid 10% of the reconciliation that they would otherwise be exposed to.

EDF Energy would also note that by encouraging Shippers to manage their SSP to LSP threshold crossovers during the year that this will have a positive impact on RbD as the energy associated with these threshold crossovers would be accurately reconciled to the site, rather than being lost in the RbD smear. Having a more accurate pot to distribute through RbD should ensure that energy is more correctly targeted at Shippers who have supplied the gas and so help to improve the cost reflectivity of the RbD mechanism. However EDF Energy remains concerned over this mechanism and believe that moving to individual meter point reconciliation would represent a more cost reflective and accurate mechanism.

2. Extent to which implementation of the proposed modification would better facilitate the relevant objectives.

SSC A11.1 (d): the securing of effective competition between relevant gas Shippers: We concur with the Proposer that by incentivising actions which lead to a more accurate allocation of energy and transportation charges following revision of AQs then costs could be expected to be allocated more accurately and so facilitate the securing of effective competition between gas Shippers and between gas Suppliers.

8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, Producers and any Non Code Party.

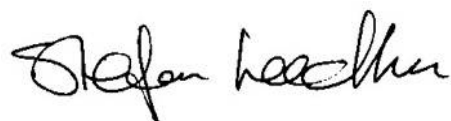
EDF Energy would note that standard practice for Suppliers is to bill customers on an estimated read based on their AQ, with final settlement provided when an actual meter read is provided. Given that ultimately revenue will be collected based on actual consumption we do not believe that implementation of this proposal would represent an additional cost to Suppliers or customers.

10. Advantages

Whilst we recognise that the requirement to undertake additional work to monitor SSP to LSP threshold crossovers may be regarded as a disadvantage to Shippers who have not been engaged in this activity in the past. We would note that TPD Section G1.6.6 requires Shippers to ensure that their AQs are accurate. We therefore believe that increased workload for previously inactive Shippers in this area should in fact be viewed as an advantage as their AQs for these sites will be more accurate.

I hope you find these comments useful, and please contact me should you wish to discuss these comments further.

Yours sincerely

A handwritten signature in black ink that reads "Stefan Leedham".

Stefan Leedham
Gas Market Analyst
Energy Regulation, Energy Branch.