

Julian Majdanski
Joint Office of Gas Transporters
First Floor South
31 Homer Road
Solihull
West Midlands
B91 3LT

4 April 2008

Dear Julian

Modification Proposals 195 and 195A: Introduction of Enduring NTS Exit Capacity Arrangements

EDF Trading would like to take this opportunity to provide its views on the two specific proposals, 195 and 195A, whilst also commenting on the other Enduring NTS Exit Capacity modification proposals being considered by the Authority.

Our preference continues to be modification proposal 116A, i.e. the removal of the sunset clauses allowing the continuation of the current arrangements as we believe these are still fit for purpose, especially when taking into consideration storage. It is essential that the charging arrangements do not price storage out of the market, by requiring it to buy products which do not reflect its pattern of usage. Universal firm is a "one size fits all" solution which fails to recognise the different characteristics of certain load types e.g. storage. Storage sites do not require peak day capacity and charges should not be imposed which imply that they do as this will expose them to significant additional and unwarranted costs. The regime should be designed to encourage additional storage capacity whereas proposals which introduce universal firm will only succeed in greatly inhibiting future investment in storage – with consequential impacts on competition and security of supply.

It is our view that only Mod 0116A properly accommodates storage facilities and for this reason should be implemented. We are yet to be convinced that the other proposals will result in a better outcome than the status quo. It is important that any changes that are implemented do not lead to increased complexity and additional artificial costs via transportation as this will create barriers to investment, particularly at a time when there is already uncertainty elsewhere within the UK gas regime - from the implementation of the new DN Interruptible regime to awaiting the Authority's decision on entry capacity baselines.

EDF Trading Markets Limited

80 Victoria Street
Cardinal Place, 3rd Floor
London SW1E 5JL

Tel +44 (0)20 7061 4000
Fax +44 (0)20 7061 5000

www.edftrading.com

A company registered in England

Registration Number 4255974

Regulated by the Financial Services Authority

Notwithstanding the comments above, if modification 116A is not introduced, the next best option would be to implement modification proposal 195A - the introduction of a Daily Off-Peak NTS Exit (Flat) Capacity product. We believe that this will better facilitate the use of spare capacity on the NTS thereby increasing the utilisation of the system and avoiding inefficient investment. The proposal also ensures to preserve the rights of firm capacity users by only releasing the daily off-peak capacity when demand is less than 80% of 1 in 20 peak day demand.

Taking into consideration all of the Enduring NTS Exit Capacity modification proposals, EDT Trading ranks the proposals it supports, in the following order (most merit first):

1. Modification Proposal 116A;
2. Modification Proposal 195A.

EDF Trading ranks the proposals it does not support in the following order (with our least preferred last);

3. Modification Proposal 195;
4. Modification Proposal 116CVV;
5. Modification Proposal 116BV;
6. Modification Proposal 116VD; and
7. Modification Proposal 116V.

Modification Proposal 116V would be the worst option to implement, involving the introduction of a flexibility product for Shipper users. The introduction of such a complex product has not been justified through the cost/benefit analysis. The industry as a whole generally opposes the introduction of the flexibility product being imposed on Shippers, illustrated by its development of proposal 195 and 195A. As a result of not supporting the concept of the flexibility product, EDF Trading, does not support modification proposal 116V, 116VD or 116BV.

Ofgem should reconsider the benefits currently derived from the present exit regime and recognise industry's preference of maintaining this regime for future investment projects especially storage. However, if Ofgem are adamant to impose changes within the NTS exit regime in particular, to gain stronger signals from those wanting incremental capacity, then modification proposal 195A should be implemented. The proposal maintains the benefits derived from the current use of ARCAs and also ensures the release of spare capacity in shorter time scales.

EDF Trading Markets Limited

80 Victoria Street
Cardinal Place, 3rd Floor
London SW1E 5JL

Tel +44 (0)20 7061 4000

Fax +44 (0)20 7061 5000

www.edftrading.com

A company registered in England

Registration Number 4255974

Regulated by the Financial Services Authority

Yours sincerely



Jonas Törnquist

Head of Transmission & Regulation

EDF Trading Markets Limited

80 Victoria Street

Cardinal Place, 3rd Floor

London SW1E 5JL

Tel +44 (0)20 7061 4000

Fax +44 (0)20 7061 5000

www.edftrading.com

A company registered in England

Registration Number 4255974

Regulated by the Financial Services Authority