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Dear Denis

EDF Energy Response to Distribution Networks Pricing Consultation Paper DNPC02: "Transportation Charges for Interruptible Supply Points".

EDF Energy welcomes the opportunity to respond to this consultation and offer our comments we broadly agree with the intent of this proposal however, we believe it has been raised prematurely, anticipating a change that may or not happen.

We agree that if UNC modification 90 is implemented that the current interruptible capacity pricing methodology is no longer relevant. However we would note that any comments in this response should not be construed as supporting implementation of modification proposal 0090. For clarity we continue to be opposed to the implementation of modification proposal 0090, on the grounds that the proposal would have a detrimental impact on security of supply, and the NEC safety case. We believe that the proposal has an intrinsic interaction with NTS Exit Reform that is also currently being opined upon and implementation of both reforms would adversely affect the current efficiency of the UK gas and electricity markets.

EDF Energy believes that were Ofgem to direct the implementation of modification proposal 0090, then the proposed charging methodology arrangements appear reasonable and meet most of the criteria set out in Standard Condition 5 of the GT Licence.

We note that the underlying principle of modification proposal 0090 is that from October 2010 all sites will be designated firm and GDNs will then put their "interruptible requirement" out to tender. It would therefore appear contradictory that sites could be paid for an interruptible service and receive a discount on Transportation Charges on top of this. We believe that this would create additional costs to Shippers, through higher Distribution charges, which ultimately would be borne by customers. We would also note that this arrangement would favour Shippers with a large interruptible portfolio against those with a predominantly firm portfolio whilst creating a cross subsidy between different Shippers with different classes of customers. We believe that this would be detrimental to competition between Shippers and Suppliers, and inconsistent with the GDNs' licence conditions.

We would further note that this change to the charging methodology would more closely reflect the costs to the GDNs Margins of supporting a larger firm supply base. We do not however believe that this is the optimal solution as there is a real risk that GDNs will have to undertake significant investment to support the increased firm load that in turn would significantly increase costs to Shippers and consumers. However we recognise that this argument is directed towards the modification proposal and the charging methodology is only required to support it.

As stated above, we recognise the intent but believe that this proposal is premature and thus does not address some of the more important pricing issues that need clarifying before the July 2007 auctions for interruption take place. We believe that apart from removing the current interruptible charging methodology users will need a clear indication of the likely methodology prior to the auctions to be able to correctly and economically price the value of interruption from October 2010 if UNC 0090 is implemented.

We hope you find these comments useful, and please contact me (0207 752 2145) should you have any questions on the issues raised in this response.

Yours sincerely

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