

Gas Distribution Networks  
C/O Joint Office of Gas Transporters  
31 Homer Road  
Solihull  
West Midlands  
B91 3LT



16 November 2007

Dear Gas Distribution Networks

**EDF Energy Response to Pricing Discussion Document DNP03: “Charging for LDZ System Entry Points”.**

EDF Energy welcomes the opportunity to respond to this discussion document and provide comments to the specific questions asked. At this stage whilst we support the principle of the proposal, we are unable to support its implementation as we require further information.

In general it appears appropriate that the connection charges should include any reinforcement costs associated with connecting the entry point to the LDZ. This suggests that the GDNs are proposing to adopt a deep connection regime, as opposed to the shallow connection regime of the NTS. We recognise that this will protect the GDNs and Users from any costs of stranded assets were the connection not to be required in the future. However we seek further information on:


1. The number of LDZ Entry Points that the GDNs are forecasting in the near future?
2. The level of costs associated with reinforcing the networks to accept these loads?
3. How will the reinforcement costs be calculated, and will these be transparent to the party requesting the connection?
4. What will happen if the connecting party disagrees with the level of the connection costs?
5. How will the costs of the reinforcement be calculated when the benefit of the reinforcement will be shared with other LDZ Users?

We would further seek clarity on the commodity cost associated with gas odourisation, and also where on the network this odourisation occurs. In particular we note that the only entry point to which this charging arrangement would relate to at the moment is the Holford Gas Storage Facility. As this is a bi-directional storage point, it would appear reasonable to assume that if the gas entering storage is odourised, then the gas leaving the storage facility would also be odourised. In which case there would be no need to odourise this gas, and so no need to charge for an activity that is not occurring. However if as part of the storage process the odourant is being removed, or additional odourant required, then it would appear that this is adding to the GDNs’ cost and so the cost of this service should be charged for. It would therefore appear that the GDNs’ proposal is reasonable were it to be demonstrated that accepting gas into the GDNs did not add to their variable cost base.

Finally we would seek confirmation that accepting gas onto the GDNs will not add to their operational costs. From the consultation it would appear that this is the case as there are no references to it, however confirmation of this would be appreciated.

I hope you find these comments useful, however please contact me should you have any questions or wish to discuss these further.

Yours sincerely

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

Stefan Leedham  
Gas Market Analyst  
Energy Regulation, Energy Branch