

**EDF Energy Response to Modification 0733 –
“Facilitation of Substitutability Between Capacity and Locational Energy Actions”**

Date: 01 February 2005

Dear Julian,

Thank you for giving EDF Energy the opportunity to respond to Network Code Modification Proposal 0733 “Facilitation of Substitutability Between Capacity and Locational Energy Actions”. We understand that this proposal is a further extension of previous modifications¹, which aim to define energy and capacity actions and split out the revenue streams associated with resolving localised constraints.

EDF Energy sees merit in modifying the triggers so that Transco has more freedom to resolve a localised constraint but it is still difficult to see how these extra tools will help Transco resolve a localised constraint. We therefore offer qualified support for this proposal to modify the Network code so that it is consistent with Transco’s Transportation licence.

We are concerned that it may be difficult in practice for Transco to manage all these tools effectively and efficiently given the short time periods involved in resolving a localised constraint. For example, Transco may have to scale back capacity or sell energy at several entry points during a localised surplus event but this will involve a considerable amount of time to achieve the necessary flows elsewhere on the system. Also, by changing the dynamics of the network significantly Transco may resolve the localised constraint but create another elsewhere on the system, thereby squeezing the problem elsewhere and exacerbating the overall situation.

Also, it is not clear from Transco’s Draft Mod Report (DMR) whether their incentives would need further adjustment to reflect Transco’s ability to substitute between the extra tools in this proposal. For example, if Transco is not exposed to balancing costs from taking a localised action upstream remote from the deficit, it may be incentivised to take energy actions rather than capacity actions, which they face a cost exposure to. Clarity on whether Transco’s incentives need to be adjusted further would be helpful.

We also continue to believe that better information release concerning network problems and constraints would enable the industry to respond more efficiently to Transco’s localised actions, thereby helping Transco manage the system more effectively and economically. The localised supply deficits of summer 2003 were a good example of where Transco could have obtained a better response from the industry if they had published more information regarding offshore problems and localised deficits in time. We would therefore like to see some commitment from Transco and Ofgem that all localised and offshore energy and transportation constraints will be published to the industry with 2 hours of Transco’s first knowledge.

We hope our comments have been useful in helping Ofgem assess the merits of this modification, but please contact me if you need to discuss further.

Regards

¹ Transco modification 0687 Alignment with Transco Licence Changes Relating to the Treatment of the Costs of Locational Actions in Transco's SO Incentive Schemes”

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