

Modification Panel Secretary  
Joint Office of Gas Transporters  
Ground Floor Red  
51 Homer Road  
Solihull  
West Midlands  
B91 3QJ

4<sup>th</sup> November, 2005

Dear Julian

**Re: UNC Modification Proposal 0052**

EDF Trading ("EDFT") wishes to submit the following in response to the above modification proposal.

EDFT supports the implementation of this proposal as we believe it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 & 2 of the GT Licence, in particular;

- a) *"the efficient and economic operation of the pipe-line system to which this licence relates;"*

The current arrangements undoubtedly encourage storage Users to withdraw gas prematurely which in turn may cause an actual NGSE. This proposal would remove this incongruity and reduce the need for the System Operator to take balancing actions.

- d) *"...securing of effective competition:  
i) between relevant shippers;"*

The current arrangements discriminate against shippers which elect to hold gas in store, as a source of flexibility, as opposed to those which have access to competing forms of flexibility. The "locking" in of gas in store through effective command and control, undermines the value of the gas in store and by association investment in UK storage facilities. It is absurd and indefensible that in a competitive market the value of a particular form of contract can be undermined by the actions of a third party. This proposal recognises, to some degree, the value of the gas held in store and better aligns the commercial incentives on all users accessing flexible gas supplies from whichever source they wish to contract.

**General comments:**

The Proposal is consistent with Proposal 0044 which was recently implemented. It seeks to introduce a simple, but fair method for assigning value to storage gas, whilst at the same time discourage behaviour which would be detrimental to system security.

It is entirely correct that a User which has elected to use storage as a source of flexibility to support its portfolio, should be "compensated" on the occasion that access to this source is denied. In our view, the methodology set out in the proposal assigns a reasonable value to the "constrained gas" as it mirrors the approach taken in Mod Proposal 0044.

EDFT is entirely comfortable with the "self certification" approach adopted in the proposal with regards the determination of the SWCQ. This approach recognises the fact that contracts between facility owner and users are individual and unlikely to be consistent across all facilities. The imposition of restrictive rules would undermine current contracts and inhibit the development of competition between the facilities.

That being said, the proposal does set out criteria by which the User must comply when determining the volume of the SWCQ trade. In the event that a User engineers a commercially advantageous position which

does not equate to its physical capabilities, then EDFT believes that this will be evident and can be acted upon through the UNC or Licence routes.

**Specific comments as detailed in the DMR**

**The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation**

EDFT believes that the effect of this proposal would be to enhance security of supply. Firstly, it addresses the anomaly in the current rules which actively encourages storage users to withdraw gas from storage prematurely and secondly, because the value of storage is not unreasonably undermined, it will ensure longer term investments in storage facilities are forthcoming.

**The implications for Transporters and each Transporter of implementing the Modification Proposal, including**

**a) implications for operation of the System:**

The System Operator maybe required to take further actions, however, the likelihood of this occurring is reduced as it is less likely that a potential, or actual NGSE will occur (for reasons stated above).

**The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users**

EDFT would expect these to be minor, particularly following implementation of Mod 0044.

**The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk**

EDFT believes that the Proposal better aligns risks across all Users as described previously, in fact it removes the current prevalence of undue discrimination between Users.

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

EDFT believes that the text provided in the DMR is accurate and valid as the proposal further enhances overall security of supply in both the short and longer terms.

We trust you find our comments useful and if you have any questions then do not hesitate to get in touch.

Yours sincerely

Philipp Bussenschutt  
Manager  
Business Development