

Representation For. 0067

"Compensation payments to Users whose gas flows are curtailed into the system following instructions received from the NEC"

Version 0.1

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Slant: For
Strictly Confidential: No
Abstract

Dear Julian

EDF Energy welcomes the opportunity to respond to urgent modification 067 'Compensation payments to Users whose gas flows are curtailed into the system following instructions received from the NEC'. We support the implementation of this modification as we believe it will further the relevant objectives of National Grid GT licence.

Facilitation of the relevant objectives.

EDF Energy believes that National Grid's ability to curtail gas in store is ultra vires to the UNC and discriminates against other forms of flexibility held by shippers. As Ofgem notes in their rejection of modification 35, NG NTS has no commercial incentives to manage costs and that curtailing gas in store could encourage behaviour which is detrimental to security of supply.

It is important to note that Shippers have purchased storage gas to support their portfolios ahead of this winter at prices which did not take this extra risk into account. It is also important to note that these bilateral contracts are outside the auspices of the UNC and thus if they are to be affected need some form of compensation to be issued alongside any curtailment. If this modification is not implemented it will leave a balancing risk on shippers throughout the winter period, which looks to be the tightest winter on record as openly publicised recently.

However, it is not exactly clear though how compensation under this modification would be calculated and we welcome more information regarding this should the modification be implemented.

Going forward we expect this issue surrounding liability for paying for system support in the gas industry is fully debated before next winter so the industry has time to adequately consider solutions and not deal with 'slap-dash' last minute urgent proposals as has been the case recently.

Disadvantages

None identified.

We hope our comments have been useful.

Regards

John Costa
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