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Dear Julian

EDF Energy response to UNC Modification 101 “Amendment to Demand Forecasting times in relation to the Gas Balancing Alert”.

EDF Energy welcomes the opportunity to respond to this modification and offer our qualified support to its implementation. We welcome National Grid Gas’ (NGG’s) proposal to align the UNC with current operational practices, and their intention to align the issuing of a Gas Balancing Alert (GBA) with demand forecast updates. We would also welcome an undertaking from NGG to ensure that a GBA will be issued within the hour that a demand forecast was updated and that the SMS notification process will be in place and operational prior to the implementation of this modification. EDF Energy also believes that this proposal could further be improved by implementing a mechanism for removing a GBA after it has been issued, in line with the current arrangements for Notices of Insufficient Margin (NISMs) in the electricity market. This mechanism should allow NGG to remove a GBA when it is clear that the market has reacted to the alert and balanced its position by either reducing demand or increasing supply. This would overcome the situation where a GBA is issued and the market continues to react to the signal that it is providing, even though such actions are no longer required (this can be seen most clearly with the experiences on 13/14 March 2006, when following the issuing of a GBA on 13 March the market continued to provide significant levels of demand side response on 14 March, even though the system had “corrected” itself on the day). EDF Energy believes that this would also have beneficial price implications for consumers and the market in general. We recognise that such a mechanism would need to be sufficiently developed to ensure that the market did not continuously move “into” and “out of” GBAs, but see no reason why the mechanism for removing NISMs could not be replicated within the gas market.

Extent to which implementation of the proposed modification would better facilitate the relevant objectives.

EDF Energy believes that implementation of this proposal will ensure consistency between current operation practices and UNC obligations and will therefore facilitate the achievement of Standard Special Condition (SSC) A11.1 (f) – the promotion of efficiency in the implementation and administration of the UNC. We further note that implementation may facilitate SSC A11.1 (c) by increasing the opportunity for NGG to issue a GBA, and so ensure any potential supply/demand imbalances are flagged to the market, allowing the market greater opportunity to balance and offer Demand Side Response (DSR) if required. We note that this in turn would facilitate SSC A11.1 (a).

We would also welcome an undertaking from NGG that a GBA will be issued within the hour that a demand forecast is updated, and that the SMS notification system that they have proposed will be operational prior to the implementation of this modification. We believe that this would benefit the market by providing confidence in when a GBA will be issued following a demand forecast update, and by ensuring all market participants can receive notification of the issuing of a GBA should they so wish.

The implications for Transporters and each Transporter of implementing the Modification Proposal.

EDF Energy recognises that this proposal will provide the Transporter with more opportunities to issue a GBA at the day ahead stage, following the issue of their 18.00 D-1 demand forecast and any ad-hoc demand forecasts, and so provide the market greater opportunities to respond to the implied supply/demand imbalance. This should help reduce the Residual System Balancing required of NGG.

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

Whilst this modification would provide additional opportunities for shippers to balance their position if a GBA was issued earlier in the day, unless an automated notification system, such as SMS, were implemented, both Users and Consumers would be required to constantly monitor the NGG website waiting for a demand update an/or GBA.

Yours sincerely

Stefan

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