

Julian Majdanski  
Joint Office of Gas Transporters  
Ground Floor Red  
51 Homer Road  
Solihull  
West Midlands  
B91 3QJ



27 November 2006

Dear Julian

**EDF Energy Response to UNC Modification 0122 "Restriction of invoice billing period to Price Control".**

EDF Energy welcomes the opportunity to respond to this modification proposal as an alternate to modification proposal 117, albeit along shorter consultation timelines. Having raised a proposal to address the apparent discrepancy and confusion within the Uniform Network Code (UNC), EDF Energy recognises the issues that this proposal is attempting to address, and we believe that this proposal represents a marginal improvement to the current arrangements. However we do not believe that this proposal offers as effective a solution as modification proposal 117, and so we are only able to offer comments on this proposal.

Whilst recognising the intention that this proposal is seeking to achieve we do not believe that this modification facilitates the achievement of that intention. From reading the proposal it appears that its intention is to overcome the possibility that price controls would have to be re-opened, however it sets a back stop date of 1 April 2002. Whilst we recognise that this may overcome re-opening previous price controls, we note that this proposal would only achieve this intention until 1 April 2007, at which time a new price control will start. This suggests that either the Modification Review process that the Proposer is intending to raise will have no more than five months to identify the issues and solutions to these, develop a proposal, consult and aim to implement; or this objective will not be achieved. We would further note that the original proposal better facilitated this intention, but would have had the effect of limiting invoices to a very short period when the new price control was implemented. It would therefore appear that whilst the intention is clear, how this is achieved is not (even to the Proposer), with the effect that the current proposal makes no improvement to the current situation than bringing forward the back stop date to 1 April 2002. Whilst this may resolve some current issues, this does not represent an enduring solution, which in our opinion mod proposal 117 does.

**Facilitation of the Relevant Objectives, Specified in Special Condition A11.1 & 2 of the Gas Transporters Licence.**

We note that the current arrangements do not provide an adequate incentive on Transporters to ensure their meters are accurate and the invoicing process is operating as intended. Part of the cause of this situation is that the current

arrangements are not clear and are open to interpretation, with Transporters interpreting the intention of the code to allow them to raise invoices going back to 1 February 1998 (the current back stop date). Whilst bringing this date forward to 1 April 2002 will limit the invoices that a Transporter can raise, we fail to recognise how this will provide an additional incentive above the current arrangements. We therefore do not believe that this proposal will facilitate the achievement of Licence Conditions A11.1 (a), (b) and (c).

We do however recognise that this proposal will ensure that any reconciliation is applied slightly more equitably and fairly than the current arrangements, as a bill going back to 1 April 2002 is likely to be marginally more reflective of market activity than one that could potentially go back to 1 February 1998. This may therefore marginally facilitate Licence Condition A11.1 (d); however we would note that this is not an enduring arrangement, as issues associated with a fixed back stop date will remain. It is also clear that the Proposer recognises that this is not an enduring solution, and is intending to raise a Modification Review Proposal to identify one. We therefore believe that this proposal represents only a marginal improvement to the current arrangements and that the associated implementation costs will outweigh any marginal benefit that may only be temporarily recognised.

#### **Implications on Security of Supply, Operation of the Total System and Industry Fragmentation.**

Whilst this proposal may aim to incentivise meter accuracy we do not believe that it achieves this intention and so has no beneficial, or detrimental, impact on Security of Supply compared to the current arrangements.

#### **Advantages of the Proposal.**

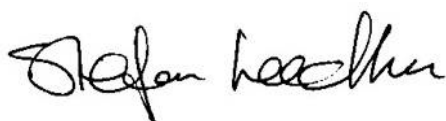
- A marginally more appropriate back stop date would be implemented, although the industry would be back in the same position as today in two or three years time.
- Any invoice smeared back to industry may be marginally more reflective of market activity than one that could potentially go back to 1 February 1998.

#### **Disadvantages of the Proposal.**

- As recognised by the Proposer this is not an enduring solution, with additional proposals required to address the current failings of the UNC.
- Fails to improve clarity and intention of the UNC, allowing parties to interpret the intention of the UNC to their advantage.
- Fails to provide an incentive on the relevant parties to ensure meter accuracy.
- Any costs smeared back would continue to be beneficial to Users who had lost market share over the period, at the expense of those Users who had gained.
- Implementation costs would negate any marginal benefits.

I hope you find these comments useful, however please contact us should you have any questions on the issues raised.

Yours sincerely

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

Stefan Leedham



Gas Market Analyst  
Energy Market Strategy, Energy Branch.