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Dear Tim

EDF Energy Response to UNC Modification Proposals 0186 & 0186A: “Provision of Cost Information”.

EDF Energy welcomes the opportunity to respond to this modification proposal. We support the implementation of both proposals, however we believe that proposal 0186 better facilitates the relevant objectives. Proposal 0186 is therefore our preferred modification.

Following the sale of the Gas Distribution Networks (GDNs) in 2005, one of the benefits witnessed by the industry has been an increase in volatility in gas transportation charges, and the development of regional pricing. As recognised by both proposals this culminated in price rises on average of 27% in 2007, with a variation between 4.9% and 64% depending on location. Both proposals attempt to address this issue by providing Shippers with greater transparency around future price changes.

EDF Energy therefore welcomes the resource the GDNs have devoted to developing this proposal and the review group, and the goodwill gestures they have made by publishing information in relation to this October’s price changes. However EDF Energy like most Gas Shippers use a planning horizon of greater than 3 years and so it is important that we have a view of future transportation charges post 1 April 2013 from 2010 onwards. Whilst we recognise that these figures will not be as accurate as those that are developed during a price control as a business we have to develop these figures so that we can plan. We are also surprised that the GDNs do not take a view of their future revenue streams outside of a price control window to for their business planning requirements, and would question whether it is economic and efficient to take such a short term view.

From the discussions at both 160 and 162, the intention was for the GDNs to produce forecasts as they had access to more information than Shippers and so could forecast future price changes more accurately than Shippers were able to. It is our understanding that the intention was for participants at the DCMFs to develop a high level view of where GDN revenues could go under any future price control, and for the GDNs to report back as to how this change in revenue would impact on their charges. Whilst we recognise that the accuracy of these forecasts would decrease compared to forecasts that were developed within a price control, we felt that these would be more accurate than Shippers would be able to produce individually.

However we note that the impact of modification proposal 0186A is to “discuss possible outcomes of the next price control period with Shippers at the DCMF”. Whilst these discussions on possible GDPCR outcomes will be beneficial it is the impact that these

outcomes could have on prices that would provide additional value to Shippers. An alternative solution would be for the GDNs to develop a model so that Shippers could input their own outcomes and derive potential prices; however this is not proposed at this stage.

In addition to those points raised in the modification proposal, EDF Energy would make the additional comments:

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

Standard Special Condition A11.1 (c): the efficient discharge of the licensee's obligations under this licensee

Standard Condition 9 of the Transporters GT Licence has an obligation to establish economic charging arrangements which facilitate the efficient operation of the pipeline system, secure effective competition between relevant Shippers and which secure domestic security standards. As this proposal should help to secure effective competition between Shippers it should therefore also further this relevant objective.

8. The implications of the implementation for other relevant persons (including, but without limitation, Users, Connected System Operators, Consumers, Terminal Operators, Storage Operators, Suppliers and Producers and, to the extent not so otherwise addressed, any Non-Code Party).

Large consumers tend to have supply contracts with gas transportation cost pass through, thereby exposing them to the risk that Transportation Charges will increase, or decrease in the future. Both modification proposals will provide these customers with a view of likely future transportation charges that will allow them to plan their businesses more effectively. Proposal 0186 will be more beneficial as it will provide consumers with a longer horizon on which to plan their business. It should also be noted that by reducing the risk of unexpected transportation charge changes in the future, Shippers' risk premium will also be reduced which will be passed onto to consumers who fixed price contracts.

10. Advantages

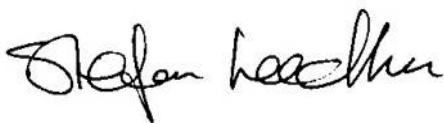
- Under both proposals increased transparency for consumers with transportation cost pass through contracts, allowing them to plan their business more effectively.
- Proposal 0186 will allow consumers and Shippers to use the transportation forecasts to plan their business up to 5 years out.

Disadvantages

- Proposal 0186A will create a diminishing horizon of future transportation charges, as views will only be developed when Ofgem has published indicative GDPCR proposals.

I hope you find these comments useful, however please contact me should you wish to discuss these in greater detail.

Yours sincerely



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