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Dear Tim

EDF Energy Response to UNC Modification Proposal 0189: “Amendment to the QSEC Auction Timetable.”

EDF Energy welcomes the opportunity to respond to this modification proposal. We support the implementation of this proposal.

We believe that this proposal is beneficial to the industry and will help to ensure that entry capacity is delivered on time to Users. This should help to promote competition between Shippers by helping to ensure that they are able to bring their gas to the market as intended, and could therefore potentially have a positive impact on prices for customers. However EDF Energy does have some concerns that with the impact that this proposal will have on various areas that sit outside of the code.

In particular we note that this proposal will:

- Provide NGG with a greater opportunity to deliver entry capacity earlier. This will impact on the TPCR and incentive regime under which they are rewarded with “trump” cards for delivering capacity earlier that they can use to offset the late delivery of other projects.
- Potentially reduces NGG’s buy back risk as they are less likely to deliver capacity late and so be exposed to buy backs.
- Ensure that the substitution of capacity is not effective until 2009. Whilst we remain unconvinced that the substitution of capacity is beneficial to the industry, we would however note that this may allow NGG to increase its investment and earn a greater rate of return than would have been the case had substitution been in place.
- Allow Shippers to act upon the outcome of Ofgem’s baseline re-consultation at the earliest possible opportunity.

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

4. **The implications for Transporters and each Transporter of implementing this Modification Proposal, including:**
 - d. **The consequence (if any) on the level of contractual risk of each Transporter under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal.**

EDF Energy believes that implementation of this proposal will reduce NGG’s contractual risk as they are more likely to deliver capacity on time, as recognised in

their proposal. This will reduce their exposure to buy back risk and so reduce their contractual risk.

7. The implications for Users of implementing the Modification Proposal, including:

a. The administrative and operational implications (including impact upon manual processes and procedures).

Users will be required to review their entry capacity strategies and procedures following in light of Ofgem's decision on the entry capacity baselines. This will require time, and so it is important that sufficient lead time is given for Shippers prior to the commencement of the QSEC auction. It would therefore be beneficial if the decision on this modification proposal and the entry capacity baseline decision were close together.

c. The consequence (if any) on the level of contractual risk of Users under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal.

As any entry capacity buy backs are subject to a sharing mechanism, then if NGG's buy back risk were to be reduced by this proposal, then Users' buy back, and so contractual risk would also be reduced. Further if this proposal reduced the risk of the late delivery of capacity, then the risk that Shippers would face of having stranded gas would also be reduced.

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).

By reducing the likelihood of gas being stranded and so increasing competition between Shippers, this proposal should be beneficial to consumers.

10. Advantages:

- Would mean that the 2008 QSEC auction would be undertaken before the Substitution obligation came into force.
- Reduces Users' and NGG's contractual risk.

Disadvantages

- Would mean that the 2008 QSEC auction would be undertaken before the Substitution obligation came into force.

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

Yours sincerely

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

Stefan Leedham
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Energy Regulation, Energy Branch