

Tim Davis
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Dear Tim

EDF Energy Response to UNC Modification Proposal 0198: “Extension of the Current Sunset Clauses for Registration of Capacity at NTS Exit Points.”

EDF Energy welcomes the opportunity to respond to this modification proposal. We would like to provide qualified support to this proposal, on the grounds that it facilitates the relevant objectives but is not the best solution.

EDF Energy understands from recent Ofgem communications that the enduring arrangements for exit capacity will not be decided upon until November 2008, as a result of which the UNC will need to be modified to allow the DNO Users to book their exit capacity requirements in 2008 for Gas Year 2011/12. Any proposal to facilitate this will therefore ensure the continued efficient and economic operation of the gas pipeline systems. However as recognised in the modification proposal this is the third modification proposal to extend the sunset clauses since June 2005. We believe that the sunset clauses within the UNC creates uncertainty for Shippers and DNO Users, and creates an artificial barrier by which exit reform would have to be implemented. We believe that this is detrimental to competition and the requirement to raise numerous modification proposals can not be viewed as economic and efficient.

Whilst we recognise that the benefits of enabling DNO Users to book their exit capacity requirements will outweigh the costs associated with maintaining the sunset clauses, we are only able to provide qualified support as there are alternative proposals that better meet the relevant conditions. In particular we would note that modification proposal 0116A is still with the Authority for a decision, and will allow DNO Users to book their exit capacity requirements whilst removing the artificial barrier created by the sunset clauses.

We would also note that this proposal appears to have interactions with modification proposal 0090 and the recently concluded Gas Distribution Price Control review (GDPCR). Whilst we have been assured that 0090 is a stand alone modification proposal we would seek confirmation that failure to implement Exit Capacity Reform in October 2011 will have no impacts on the DN Interruption regime and no further modification proposals will be required. We would also seek clarity from Ofgem as to how the GDPCR Capacity Outputs Incentive will be impacted by this modification proposal, and whether implementation of this proposal may create some unexpected gains for the GDNs.

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
Gas Market Analyst
Energy Regulation, Energy Branch