John Bradley
UNC Panel Secretary
31 Homer Road
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09 November 2009

Dear John

EDF Energy Response to UNC Modification Proposal0263: "Enabling the Assignment of a Partial Quantity of registered NTS Exit (Flat) Capacity".

EDF Energy welcomes the opportunity to respond to this UNC Modification Proposal. We support implementation of modification proposal 0263.

As recognised by the UNC Modification the current rules only allow the full assignment of exit capacity between Users. However this fails to recognise the operational reality at NTS Exit points were capacity bookings need to vary in response to changing supply contracts and tolling agreements that may be in place. It is therefore likely that the overall capacity at an exit point will remain constant, however the allocation of this capacity between Shippers would change year on year, which this proposal would facilitate. Failure to implement this proposal would therefore limit the supply contracts that are available to customers as they would be presented with an all or nothing contract, or it would encourage Shippers to book shorter term products, in line with their supply contracts or tolling agreements. This would therefore prevent National Grid NTS receiving long term signals, which would be neither economic nor efficient.

EDF Energy believes that this modification proposal is designed to ensure effective implementation of exit reform. We would note that this reform was central to GDN sales in 2005 and that the cost of this reform was expected to be covered by the GDNs and NGG NTS. Whilst we recognise that with hindsight this issue should have been resolved in modification proposal 0195AV this was a fundamental reform of significant parts of the UNC that was progressed on a relatively tight timescale. It is therefore to be expected that issues are identified over time that need to be resolved to ensure that the reform is implemented effectively and as intended.

EDF Energy also supports the development work undertaken by Centrica to ensure that this proposal meets all of the requirements and addresses the issues raised. In particular we support the amendments made relating to User Commitment to ensure that Shippers can not avoid User Commitment by partial assigning capacity between Shipper Licences. We therefore believe that this proposal strikes the correct balance between ensuring that there is sufficient flexibility within the assignment process to ensure that the operational requirements of Shippers and consumers have been met whilst maintaining the appropriate User Commitment for booked capacity.

In addition to the particular points raised in the UNC Modification Proposal EDF Energy would make the following observations:

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2. **User Pays**
EDF Energy agrees with the proposer that this is not a User Pays modification proposal. This proposal is fundamental to ensuring the smooth enactment of exit reform, which was funded by Transporters as part of GDN sales.

3. **Extent to which implementation of the proposed modification would better facilitate the relevant objectives:**
Standard Special Condition A11.1 (a): the efficient and economic operation of the pipeline system to which this licence relates:
For sites were the overall level of capacity will remain constant in the long term, but the allocation between Shippers will vary, the UNC encourages Shippers to book short term capacity to meet their requirements as they are unable to partially assign long term capacity to other Shippers. Implementation of this proposal would encourage long term bookings as Shippers would have the certainty that they could allocate capacity other Shippers to meet the operational requirement of the Supply Point. This will therefore provide long term signals to NGG NTS and so facilitate the economic and efficient development of their pipeline system. We would note that the principle of providing long term signals was fundamental to the development of exit reform.

Standard Special Condition A11.1 (d): so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition: (i) between relevant Shippers;
The current UNC rules only allow the full assignment of NTS Exit capacity. This would therefore limit customers to maintaining their current contractual arrangements in terms of quantities supplied, although they would be able to choose between suppliers. Partial assignment would allow customers to vary their contractual arrangements to meet their requirements. For example a customer could have a supply contract with a single Shipper, however going forward they may require 1 Shipper to provide baseload supply and another to provide peaks – this could only be facilitated through partial assignment of capacity.

5. **The implications for Transporters and each Transporter of implementing the Modification Proposal:**
EDF Energy recognises that there may be costs involved with implementation of this proposal. However EDF Energy believes that this forms part of implementing exit reform, a condition of GDN sales and included within NGG's Licence. We would note that fundamental to exit reform was the requirement to provide long term signals to NGG to ensure the efficient and economic development of their pipeline system. This was to be funded by Transporters and so we believe that if any costs are to be incurred they should be recovered from NGG NTS.

9. **The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party:**
Implementation of this proposal will allow consumers to vary their contractual arrangements to meet their operational requirements, and potentially reduce their gas supply costs.

11. **Analysis of any advantages or disadvantages of implementation of the Modification Proposal**

Advantages

- Ensures the effective implementation of exit reform, a condition of GDN sales contained within NGG NTS' Licence
- Encourages the booking of long term capacity

I hope you find these comments useful, however please contact my colleague Stefan Leedham (Stefan.leedham@edfenergy.com, 020 3126 2312) should you wish to discuss these in further detail.

Yours sincerely

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