

Bob Fletcher
UNC Panel Secretary
31 Homer Road
Solihull
West Midlands
B91 3LT

13 April 2010

Dear Bob

EDF Energy response to UNC Modification Proposal 0289: "To determine the amount of Annual NTS Exit (Flat) Capacity to be released where the quantity of unsold NTS Exit Capacity fluctuates within the Gas Year".

EDF Energy welcomes the opportunity to respond to this UNC Modification Proposal. We support implementation of Modification Proposal 0289.

This is a straight forward modification proposal to provide clarity to the UNC so that it is unambiguous how much NTS Exit Capacity NGG has to release through the annual allocation and daily auctions where there is a profiled amount of capacity available below the baseline. This proposal aligns with EDF Energy's understanding of the intention of modification proposal 0195AV in that NGG will only be required to release the amount of unsold capacity that is available for a full 12 months through the annual product. We would note that if this were not the intention then we believe it would have been unlikely for NGG to support and for Ofgem to have implemented a proposal which would have forced NGG to release capacity above the baseline within the constrained period.

We believe that implementation will provide the clarity required and so reduce the risk of different interpretations of this part of the code and the potential to enter a dispute process on differing interpretation.

We are not convinced that the proposed User Pays funding arrangements are appropriate. However given that this is expected to be a zero cost change, we do not believe that this is material to the proposal. Were this to change, and significant costs incurred then we would expect Ofgem to scrutinise why these costs were incurred and whether they were efficient and economic.

In relation to the Modification Proposal EDF Energy would make the following specific comments:

2. User Pays

EDF Energy recognises that currently there are two definitions of a User Pays Modification Proposal. This proposal meets the definition of User Pays currently adopted by NGG. We believe that it would

be beneficial were clarity to be provided by Ofgem on what they believe is, and is not a User Pays Modification Proposal.

EDF Energy disagrees that this proposal should be funded 50% by Shippers and 50% Transporters. We would note that NGG provided the legal text associated with implementation of 0195AV and so ultimately they were responsible for the ambiguity that this introduced. As previously noted we recognise that this modification reflects the intent of modification proposal 0195AV and so the error in legal text could be attributed directly at NGG. We also believe that this proposal will provide the greatest benefit to NGG as they will be protected from the risk of dispute as a result of their ambiguous legal text. EDF Energy therefore believes that this proposal should be funded 100% by Transporters and in particular NGG. This would also be consistent with the industry cost allocation matrix (ICAM) contained in the User Pays Guidelines that were developed by the Transporters.

EDF Energy is also not convinced that the targeting of costs to Shippers based on their capacity holdings is appropriate. The concept of User Pays was to target costs at those who were choosing to utilise this service. This would suggest that costs should be recovered based on Shipper applications for the annual NTS Exit Capacity product. However given that this is looking to recover zero costs this is a secondary issue.

As previously noted we would have significant concerns were the costs of implementation of this proposal to be significant requiring the application of a User Pays charge to Shippers. In this instance we believe that the costs should be subject to significant scrutiny from Ofgem who should also take a view as to whether they were economically and efficiently incurred.

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

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Seb Eyre'.

Dr. Sebastian Eyre
Energy Regulation, Energy Branch