

Bob Fletcher  
UNC Secretary  
Joint Office of Gas Transporters  
31 Homer Road  
Solihull  
B91 3LT

10 January 2011

Dear Bob

**EDF Energy Response to UNC Modification Proposal 0292: "Proposed change to the AQ Review Amendment Tolerance for SSP sites".**

EDF Energy welcomes the opportunity to respond to this consultation. We do not support implementation of this modification proposal at this time.

Although we support the intent of this proposal to amend the UNC so that Shippers can register an accurate AQ, we do not believe that this proposal has been sufficiently developed to enable implementation by all Shippers. We are concerned that key to this proposal is the implementation of the capacity allocation methodology which will determine how any unutilised capacity in xoserve's system is made available to Shippers based on demand. Whilst a suggested methodology has been developed this does not form part of the proposal and instead an obligation is placed upon the Transporters to develop a methodology. Currently there are two methodologies available (one suggested by the proposer and one suggested by xoserve) and it is unclear which methodology will be implemented. As a Shipper we need clarification and certainty of which methodology will be implemented to ensure that our systems replicate this.

We are unconvinced that the methodology proposed by Scottish Power (the proposer) is appropriate for implementation. This appears to ensure that any "spare" capacity is allocated to those that have submitted the smallest volume of amendments. This appears to incentivise Shippers to submit "late" amendments in the knowledge that they can use the spare capacity, whilst those that have operated prudently and taken a constant approach to amendments (albeit in excess of their allowance) are penalised. We do not believe that this encourages the appropriate behaviour amongst Shippers and should be reviewed. We also believe that further advice and views should be sought on the legality of stipulating a 17.00 cut off date for file submission, as this is not aligned with the UNC definition of a business day, and could have implications regarding code communications.

We do not support a 2011 implementation date. Based on discussions to date it is unlikely that a decision to implement will be reached until February 2011 at the earliest which will give us less than 3 months to implement the required system changes in time for this years AQ review.

Although we can implement this change to one of our systems relatively quickly, we are also in the middle of rolling out new systems to the majority of our portfolio. Initial indications are that we would need at least 6 months notice to enact this change as our IT resources are currently constrained. In addition we require a reasonable notice period to ensure sufficient resources are dedicated to the AQ review internally to validate the amended AQs that our systems generate. We therefore believe that this modification proposal should not be implemented until 2012 at the earliest. This will allow industry time to ensure that their system changes are implemented and to develop a robust and commonly understood methodology for the allocation of spare capacity.

Were this proposal to be implemented in 2012, then we would support its implementation. We believe that being able to register an accurate AQ is key to industry processes, including the allocation of energy and the calculation of transportation charges for the NDM sector. We note that with implementation of DNPC03 the transporters undertook to implement changes to enable Shippers to register an accurate AQ. This was further supported in DNPC07 where the Transporters noted their support of the work being undertaken in developing this modification proposal.

In addition to the comments made in the draft modification report we would also like to make the additional observations:

## 2. User Pays

Although we agree that this is a User Pays charge, we disagree with the allocation of 100% costs to Shippers and 0% to Transporters. Although the current systems have been built and designed to support 250,000 AQ amendments per day, there is nothing stopping Shippers submitting vastly in excess of this level. The current system and UNC rules already cause issues for xoserve acting on behalf of transporters and proposals have been made in previous years to profile Shipper AQ amendment submissions. As such we do not believe that the current systems are fit for purpose when compared to the UNC rules and baseline. Implementation of this proposal would benefit the Transporters through avoided investment and so they should fund some of the implementation costs associated with this proposal.

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

### **Standard Special Condition A11.1 (a): the coordinated, efficient and economic operation of the pipeline system to which this licence relates;**

We believe that if this proposal were implemented so that all Shippers had sufficient notice to develop and implement the associated system changes, then this proposal would result in the ability for Shippers to register more accurate AQs. As the AQs are fundamental to the allocation of energy and are the basis of transportation charges, then we believe that they do have an impact on the development and planning of the system. Therefore more accurate AQs will result in investment being more accurately undertaken and so have a beneficial impact on the coordinated and efficient operation of the pipeline system.

### **Standard Special Condition A11.1 (c): so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the Licensee's obligations under this licence;**

All of the Gas Transporters have a Licence condition to not unduly discriminate between users. However, in order to support implementation of this proposal prior to the 2011 AQ review, the Transporters have instructed their agent to commence preparatory system work. We believe that this is discriminating between Users of the system as the transporters have chosen to progress this modification in advance of others – such as mod 270. Both proposers of 270 and 292 have given a clear indication of their expectations regarding implementation timelines; however, no supporting work has been undertaken for mod 270. We believe that this is not equitable treatment and so implementation of this proposal would not support this relevant objective.

**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; ...**

We believe that were this proposal to be implemented in 2011 then it would create winners and losers amongst Shippers depending on whether they were able to replicate the system changes required to support this proposal. Those Shippers who were unable to implement this proposal would see an increase in their cost base, and the loss of a competitive advantage in the allocation of energy. As the SSP market is not corrected for energy allocation on the submission of meters, as the LSP market benefits from, this would represent a hit to the bottom line of those Shippers. We therefore believe that implementation of this proposal in 2011 would have an anti-competitive impact and would not facilitate this relevant objective.

**6. The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the code as modified by the Modification Proposal**

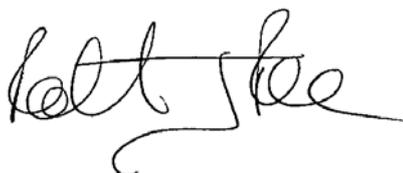
Currently the UNC does not place any limit on the amount of AQ amendments that Shippers can submit on any one day. However, it is clear from previous communications and proposals that the current systems do not support this. Implementation of this proposal will therefore reduce the Transporters contractual risk as the UNC will be modified to reflect an artificial constraint created by their systems.

**8. The implication of implementing the Modification Proposal for Users, including the administrative and operational costs and level of contractual risk**

For us this proposal would be viewed as a mandatory change for our systems, due to the competitive impacts that not implementing this proposal would have. We have two systems impacted by this change. One could be changed relatively easily to support the reduction in the AQ amendment threshold and profiling of file submissions could be facilitated through a manual work around. Our SAP system would also require change and we roughly estimate that this cost will be in the region of £20,000. However as we are currently rolling out SAP across our business the ability to implement a change has been lengthened due to the scarcity of resources, and so we require at least 6 months from notice of implementation to enacting the change in our systems. In addition we would require additional FTEs to support the manual processes and additional volumes associated with implementation of this proposal. In order to ensure sufficient resources are allocated and trained in the applicable processes takes roughly 6 months from notice of implementation. It should be noted that the costs and timelines associated with our SAP systems are only in relation to the reduction in the AQ amendment threshold to 5%. We have not been able to analyse the impact that profiling will have on our systems at this time.

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

Yours sincerely

A handwritten signature in black ink, appearing to read "Rob Rome".

Rob Rome  
Head of Transmission and Trading Arrangements  
Corporate Policy and Regulation