

Representation for 0046

"Extension of the Sunset Clauses for Registration of Capacity at NTS Exit Points"
Version 1.0

Date of Communication: 12/09/2005
External Contact: John Costa (EDF Energy)
Slant: Qualified support
Strictly Confidential: No

Dear Julian,

Thank you for giving EDF Energy the opportunity to respond to Network Code Modification Proposal 0046, " Extension of the Sunset Clauses for Registration of Capacity at NTS Exit Points. EDF Energy has qualified support for this proposal.

EDF Energy recognises that the sunset clauses, an interim measure for DN's NTS offtake arrangements, expire on the 30th September 2008 and that after this point Transco will need to have some form of enduring arrangements in place. Whilst this modification is a short-term measure to resolve the issue of how DN's signal their requirements for NTS Exit capacity post 2008 it is only for a 2 year period up until 2010. Transco makes no reference in their modification as to how DN's will procure long-term exit capacity post 30 September 2010.

Also, this modification is only a temporary measure as it assumes Ofgem's Enduring Arrangements, as prescribed in their November 2004, will be implemented in 2007. However, Ofgem recognise in their June 2005 board meeting that the context of the Exit work had shifted and therefore it is not clear exactly what enduring arrangements will be implemented in 2007 or how. Furthermore, NERA's Economic assessment of Ofgem's enduring arrangements found negative benefits to the tune of £80m which casts some doubt over whether these arrangements will be implemented as they may not further Transco's relevant objectives as set out in their licence.

EDF energy therefore partially supports this modification as an interim measure but believes that more work should be done to find a solution for long-term DN offtake arrangements that are practical, simple and effective in nature which the 'whole' industry can live with. For example there is nothing to say that the sunset clauses could not be extended for 10 or 15 years or that DN's could be required to use the ARCA's based system indefinitely for signaling their capacity requirements as NTS shippers currently do. This would seem to be the least complicated and discriminatory form of enduring arrangements going forward.

We have not had time unfortunately to comment on the IExCR statement and standard licence condition 4b because of the tight deadlines involved in this 2 week consultation period with the DN ARCA only being issued a day before this consultation closes.

We hope our comments have been useful but please contact me if you need to discuss any of our comments further.

Regards

John Costa

Energy Market Strategy

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