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Dear Julian

EDF Energy Response to UNC Modification 0120 “Introduction of an SO Commodity Charge for NTS Storage Exit Flows”.

EDF Energy welcomes the opportunity to respond to this consultation; however we are unable to support implementation of this proposal at this time. We believe that implementation of this proposal at a time when the UK Government and Regulator are attempting to encourage the development of additional volumes of gas storage facilities in order to improve the UK’s security of supply might have a negative impact on the development of gas storage facilities. We note that National Grid Gas (NGG) has failed to address the concerns associated with double charging and the benefits provided to the system by storage sites, all of which were noted by Ofgem when deciding to not implement Network Code Modification Proposals 532, 545 and 547. We appreciate the work that NGG has undertaken to produce a cost reflective solution but NGG have not clearly identified that their proposal is cost reflective, or quantified how they have reached their final figures, despite requests at industry fora by market participants. We also believe that National Grid have failed to demonstrate how implementation of this proposal will facilitate achievement of the relevant objectives, and so believe that this proposal should not be implemented.

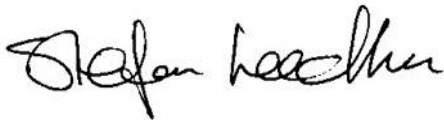
EDF Energy notes that it appears that NGG’s main reason for implementation of this proposal is to facilitate the proposed revision to their Gas Transmission Transportation Charging Methodology, which is also out for consultation. We welcome the steps NGG has taken to ensure a coordinated approach to these consultations, however would question whether revision to their methodology is strong enough grounds to require implementation of this proposal. In particular we would note that NGG believes implementation of this proposal will facilitate achievement of SSC A11.1 (c) the efficient discharge of National Grid’s obligations under its Gas Transporters Licence, on the grounds that their Gas Transmission Transportation Charging Methodology was also revised. Given that it is not clear that Ofgem will be in a position to accept this proposed revision at the same time it is deciding whether to implement this modification proposal, we believe that the merits of this proposal should be judged in light of the current market arrangements. EDF Energy therefore do not believe that implementation of this proposal will facilitate achievement of relevant objective A11.1 (c), and note that the Proposer is unable to identify any other objectives that this proposal would facilitate.

EDF Energy recognises that this modification is an enabling one, to allow NGG to apply a reduced rate SO Commodity charge to storage entry and exit flows, however we believe that

a modification should clearly demonstrate how its implementation will represent an improvement to the UNC. We do not believe that this modification has achieved this requirement, but we would be happy to support a modification which clearly attributes the costs and rewards the use of storage to help manage and balance the NTS. We are concerned at the implications this modification and the accompanying Transportation Charging Methodology Consultation will have on storage owners and developers, and therefore security of supply.

I hope you find these comments useful, and please contact me should you wish to discuss these comments further.

Yours sincerely

A handwritten signature in black ink that reads "Stefan Leedham".

Stefan Leedham
Gas Market Analyst
Energy Market Strategy, Energy Branch.