

Julian Majdanski
Joint Office of Gas Transporters
Ground Floor Red
51 Homer Road
Solihull
West Midlands
B91 3QJ



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Dear Julian

EDF Energy Response to UNC Modification 0142 “Extension of the Current Sunset Clauses for Registration of Capacity at NTS Exit”

EDF Energy welcomes the opportunity to respond to this consultation, and offer comments only.

We recognise that due to the delay of the NTS Exit Reform that this proposal to extend the current arrangements by another year out to 2011 is now necessary. However, we disagree with National Grid Gas’ (NGG’s) view that the current Advanced Reservation of Capacity Arrangements (ARCA) provides all Shipper Users with comparable arrangements to DNO Users. In particular we note that the current ARCA arrangements are only available to Shipper Users whose connection to the NTS requires investment to support it. The current arrangements do not cater for a Shipper User requesting capacity that doesn’t require investment in the transitional period. In the case of new connections, or incremental increases to existing connections that do not require investment, Shippers can only “reserve” this capacity 6 months prior to the Registration Date, after which they are liable for any exit capacity charges. In the case of DNO Users however they are able to reserve capacity up to 3 calendar years ahead even if investment is not required, and are not exposed to any exit capacity charges until the gas year when the capacity is required.

We therefore do not believe that this proposal will provide comparable arrangements for booking offtake capacity for both NTS Shippers and DNO Users. We recognise that this issue has been addressed by the reforms to the offtake arrangements that are due to be implemented on 1 October 2011, however we continue to believe that these future arrangements are overly complex and a simpler solution could, and should, have been implemented. We are therefore disappointed that this proposal has failed to address some of the issues that have been raised by EDF Energy with regards to the current booking arrangements for incremental capacity that does not require investment to support it. In particular the uncertainty associated with the inability to book capacity that does not require investment more than 6 months out creates a risk to Users that the capacity may not be available when required. We would hope that an interim solution could be developed that will provide comparable arrangements for all Users to book incremental exit capacity.

We would further note that this is not the first time these sunset clauses have been extended, and we would therefore question how long these sunset clauses could be extended for before they became an issue? It would appear that it would have been less burdensome on the industry not to have incorporated these sunset clauses into the UNC in the first place, and allowed these arrangements to continue until a solution that was acceptable to the industry was developed that provided value to customers. We welcome Ofgem’s views on this issue and how long the sunset clauses could be extended for before any negative benefits would be identified.



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 Regulation, Energy Branch.