

John Bradley
UNC Panel Secretary
31 Homer Road
Solihull
West Midlands
B91 3LT



26 June 2009

Dear John

EDF Energy Response to UNC Modification Proposal 0254: “Facilitating the use of forecast data in the UNC”.

EDF Energy welcomes the opportunity to respond to the UNC Modification Proposal. We support implementation of 0254.

The Met Office and Hadley Centre project looking at the impact of climate change on the energy industry, known as EP2 has been supported by a wide range of energy companies. These include: National Grid, E.ON, Centrica, Scottish and Southern Energy, Scottish Power, npower, EDF Energy, Northern Ireland Electricity, Western Power Distribution, CE Electric and ENW. The Demand Estimation Sub-Committee (DESC) has subsequently recommended that this data is used to form the Transporter’s view of Seasonal Normal Weather (SNW), as required under UNC TPD H 1.4.2. This proposal ensures that the UNC is compatible with the use of this data and covers all potential future outputs that could be used to produce a view of SNW.

It should be noted that in addition to the significant industry support that this project has received, xoserve have undertaken a significant volume of work to confirm the validity of these assumptions to ensure that they are appropriate. This analysis was presented to the DESC on 31 March 2009, and is available from the Joint office website (<http://www.gasgovernance.com/Code/UNCCSubCommittees/DESC/2009Meetings/>). However whilst xoserve’s validation was focused on whether the level was appropriate, EDF Energy believes that the main benefit that this proposal and the adoption of EP2 data will deliver will be from the improved SNW shape that can be derived from EP2 data. In particular we would note that the EP2 data produces a natural shape that does not need smoothing as it is using a 30 year data period. This is the standard period for producing meteorological views, and also accommodates naturally occurring phenomenon such as Buchan spells.

EDF Energy believes that an improved SNW shape should help to ensure improved allocation to the SSP and LSP market. The SSP sector is dominated by domestic loads whose consumption is predominantly driven by weather patterns. We understand that allocation between the LSP and SSP sectors is derived from variance from SNW on the day, and so an improved shape should result in an improved allocation between sectors. This in turn should therefore reduce the size of RbD and reconciliation faced by SSP and LSP Shippers respectively. We would note that RbD and reconciliation represents a risk to Shippers that they are unable to manage through hedging strategies. In addition there is currently a tendency to over allocate energy to the LSP market, which results in a flow of energy from the SSP sector to the LSP sector. If allocation was working effectively then reconciliation would only result in the re-allocation of energy amongst the LSP market rather than seeing energy flow from the SSP to LSP market. Whilst we are unable to identify what is the driving force behind this over allocation, it would appear reasonable to assume that an improved SNW

shape and so base should result in improved allocation. This will therefore benefit both the SSP and LSP market.

We would also note that the use of EP2 data is being delivered free of charge by the Met Office and Hadley Centre project to the Gas Transporters if it were to be adopted. There would therefore be no costs associated with the implementation of this proposal in 2009 or 2010. In the worst case scenario in 2015 if only the Gas Transporters were to refund the re-running of the model, then this would cost in the region of £50,000. However this assumes that no other generator, supplier or electricity network operator also wished to re-run the model, and had effectively walked away from the project that they have funded. We therefore believe that these costs are significantly overstated, although would expect some allowance to be included in the next GDPCR.

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

Yours sincerely

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

Dr. Sebastian Eyre
Energy Regulation, Energy Branch