

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



03 August 2007

Dear Julian

EDF Energy Response to UNC Modification Proposal 0159 “National Grid NTS Discretionary Release of Interruptible NTS Entry Capacity”.

EDF Energy welcomes the opportunity to respond to this modification proposal and supports the implementation of this proposal for this winter.

Following the unexpected reductions to the baselines for this winter as part of the TPCR process and the identification of constraints at certain ASEPs for this winter, Users have been concerned that gas will be stranded offshore with security of supply implications. This concern has been exasperated by the delay in implementing effective transfer and trade proposals that will ensure the maximum amount of firm capacity is released at an ASEP, caused mainly by the delay in consulting and implementing the Licence Conditions to enact this. EDF Energy believes that going forward it would be beneficial for Ofgem to conduct a review of the processes that has led to this situation so that this is not repeated in the future. It would appear that in order to minimise the regulatory and financial risk imposed upon Users in the future, any fundamental changes to regulation should be thoroughly consulted upon and enacted with sufficient lead time so that Users can respond and mitigate the impact of these changes.

Whilst this proposal will not provide a firm guarantee to Users that capacity will be available when required, this proposal will provide comfort that the maximum amount of capacity on a day is released. This should help to ensure that the full capability of the NTS is utilised when required and so help to protect the UK’s security of supply position. We believe that this is a simple and effective proposal that can be enacted in time for this winter, although we note that certain issues with interruptible capacity need to be addressed in the future to ensure that the maximum amount of capacity is released on a day and no sources of gas are artificially constrained. We therefore welcome NGG’s verbal undertakings to review these issues in the future so that an effective regime can be implemented.

In relation to the particular issues raised in the consultation, we would make the following observations:

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

EDF Energy agrees with the Proposer that by enabling NGG to release additional amounts of interruptible capacity to the market this should help to ensure that gas is not artificially

constrained offshore and so ensures the efficient and economic operation of the pipeline (A11.1 (a)). This should therefore improve the UK's security of supply position and so also facilitate licence condition A11.1 (c). Further by releasing this capacity on a pay as bid basis, with a zero reserve price (under the current arrangements) this should secure the effective competition between Shippers for this capacity (A11.1 (d)(i)).

3. The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation.

EDF Energy believes that this proposal will improve the UK's security of supply position by ensuring that the maximum amount of capacity available is released on a day. This should ensure that sources of gas are not artificially constrained when required.

7. The implications of implementing this Modification Proposal for Users, including administrative and operational costs and level of contractual risk.

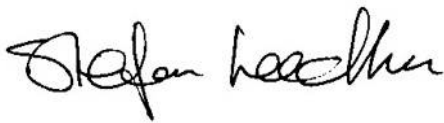
Increasing the amount of interruptible capacity that can be released, should reduce Users' risk that their sources of gas will be artificially constrained, however this will not remove the risk as it is not additional firm capacity that will be released. We would further note that operational costs will only be reduced if Users chose to acquire interruptible capacity at the day-ahead stage as opposed to firm capacity in the RMSEC auctions. However were Users to choose to take this action, and so expose themselves to the risk that capacity was not available when required then their operational costs would be reduced, although this would be offset by an increase in their risk exposure.

10. Advantages:

- Releases additional amounts of interruptible capacity to the market, thereby ensuring that the maximum amount of capacity available is released.
- Improves the UK's security of supply position.
- Simple and effective proposal that can be implemented prior to Winter 2007/08.
- Responds to Users' signals and requirements regarding capacity for this winter.

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

Yours sincerely

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

Stefan Leedham
Gas Market Analyst
Energy Regulation, Energy Branch