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Dear Julian

EDF Energy Response to UNC Modification Proposal 164 “Bi-Directional Connection Point Overrun Charge Calculation.”

EDF Energy welcomes the opportunity to respond to this consultation. We fully support implementation of this proposal.

We believe that it is important that any over run charges and capacity utilisation calculations are based on the physical usage of that capacity. This would ensure that costs are accurately targeted and that capacity is not artificially constrained. It will also ensure that storage Users are not unfairly discriminated against. As an enduring solution we believe that the UK Link systems should be configured to allow bi-directional nominations and meters to be registered. However we recognise that this will require significant development and cost to implement. We therefore believe that this modification proposal represents a suitable work around until the defect in UK Link can be properly adjusted.

In particular we note that due to capacity constraints this winter it is likely that some storage facilities may be constrained. This constraint could be further exasperated under the current treatment of bi-directional sites within the AT Link systems. For example if there was only 200GWh per day of entry capacity available at an ASEP, but the storage facility required 400GWh per day, then the facility would be constrained. If on the day there was an entry nomination for 200GWh and an exit nomination for 100GWh, then the physical flow of the storage facility would be 100GWh, however 200GWh of entry capacity would have had to have been purchased to accommodate this. Even though the ASEP was physically capable of accepting an additional 100GWh, under the current regime this would not be released, thereby artificially constraining the ASEP and the storage facility. The only way of accessing this available capacity for a Shipper would be to overrun their capacity allowance, thereby exposing them to overrun costs.

Whilst we note that the implementation of modification proposal 0159 may allow NGG to release this additional capacity as interruptible on a discretionary basis, we are aware that it is not yet clear whether NGG’s calculations will be based on physical capability and utilisation or on physical capability and AT Link nominations. If it is the latter then it would appear that this will not release the physical capacity that is available, and so storage facilities would remain constrained. In relation to the particular points raised within the draft modification report we would make the following additional observations:

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

We believe that this proposal will ensure that the maximum capacity is available at ASEPs where a bi-directional storage point is connected, as capacity utilisation will be based on physical utilisation as opposed to commercial nominations. Bi-directional storage points at these ASEPs will not be artificially constrained and so the system will be operated in an economic and efficient manner, thereby facilitating Standard Special Condition A11.1 (a).

3. The implications of implementing the modification proposal on security of supply, operation of the total system and industry fragmentation.

By ensuring that the maximum amount of capacity is released at an ASEP and reducing the likelihood of a bi-directional point being constrained it is likely that the UK's security of supply will be improved.

8. The implications of implementing the modification proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party.

By increasing the amount of capacity, and therefore gas that was available on the day, it is likely that this proposal could have a positive impact on prices, thereby reducing costs to consumers.

10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Advantages:

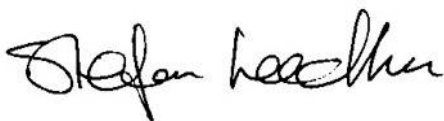
- Improves the UK's security of supply position.
- Potentially reduces the costs to consumers when artificial capacity constraints cause higher prices.
- Ensures the most economic and efficient operation of the pipeline system.

Disadvantages:

- Does not address the underlying flaw with the UK Link systems.

I hope you find these comments useful, however please contact me if you wish to discuss these in greater detail.

Yours sincerely

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

Stefan Leedham
Gas Market Analyst
Energy Regulation, Energy Branch