

John Bradley  
UNC Panel Secretary  
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11 September 2009

Dear John

**EDF Energy Response to UNC Modification Proposal 0265: “Creation of a NTS Entry Capacity retention Charge within the Uniform network Code”.**

EDF Energy welcomes the opportunity to respond to the UNC Modification Proposal. We support implementation of Modification Proposal 0265.

For clarity EDF Energy would like to take the opportunity to note that support of this modification proposal should not be seen to represent, or infer, support for the associated substitution methodology and proposed Licence Conditions which are being consulted upon separately.

This proposal is a facilitating modification to ensure that the UNC is compatible with the substitution methodology presented by National Grid Gas (NGG) to Ofgem to introduce substitution. Therefore without this modification proposal any monies received from the capacity retention charge would not be counted as allowed revenue (and so represent a benefit to NGG’s shareholders) whilst any future refund would also not be included and so represent a cost to NGG’s shareholders. Implementation of this proposal will therefore ensure that the Shipping community are charged the correct amount each year.

In relation to the particular comments raised in the modification proposal EDF Energy would make the following comments:

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

**Standard Special Condition A11.1 (a): the efficient and economic operation of the pipeline system to which this Licence relates;**

EDF Energy would note that the benefits identified within the Modification Proposal and Draft Modification Report (DMR) are in fact attributable to the implementation of the substitution methodology and not implementation of this proposal. In particular we would note that this proposal could be implemented and the methodology rejected. In this instance it would not be possible to substitute capacity, and so the benefits identified in the proposal would not be achieved.

We therefore do not believe that implementation of this modification proposal will have any positive or negative impact on this relevant objective, as identified in Section 4 of the DMR which states that:

“No implications for the operation of the Total System or industry fragmentation have been identified.”

**Standard Special Condition A11.1 (c): so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;**

Whilst EDF Energy recognises that NGG does have a Licence Condition (C8D) to implement substitution we would note that it is currently under consultation as there is a view that the proposed methodology does not meet the current Licence Condition requirements. However again EDF Energy would not that this is a facilitating modification proposal, and there is the possibility that this proposal is implemented and the substitution methodology would be rejected. In this situation whilst the UNC Modification would have been implemented, there would be no substitution methodology and theoretically NGG would be in breach of their Licence Condition (in whichever form it finally takes).

However EDF Energy would note that implementation of this modification proposal would introduce the NTS Entry Capacity retention Charge as a defined term, and so be included in the calculation of collected TO Revenue. This is controlled by Licence Condition C8B.1 (a) which places a requirement on NGG NTS to not over recover revenue. It would appear that implementation of this proposal would have a detrimental impact on this Licence Condition as it introduces further uncertainty and risk into NGG's charge setting exercise.

**Standard Special Condition A11.1 (f): so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code;**

If the substitution methodology is implemented, then this proposal will ensure that the UNC and substitution methodology are aligned. In addition in the eventuality that the substitution methodology is rejected, then this proposal would also facilitate the implementation of any other methodology that is reliant on an NTS Entry Capacity Retention Charge.

**11. Analysis of any advantages or disadvantages of implementation of the Modification Proposal**

**Disadvantages**

- Creates greater uncertainty in TO Collected Revenue, thereby increasing the requirement for TO Commodity rebate corrections which increases TO Commodity volatility.

I hope you find these comments useful, however please contact my colleague Stefan Leedham ([Stefan.leedham@edfenergy.com](mailto: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