

Third Energy Package Option Representation

Please provide a response by: 10 February 2011

Organisation: EDF Energy

Representative: Stefan Leedham

Date of Representation: 10 February 2011

There is an option to reduce the Objection Window to 3-5 days and the confirmation window to 5 days to achieve a 3 week switch as directed by EU. A further option has also been identified to treat Bank Holidays as working days for SPA processes.

Q1. Do you support any of these proposals?

We recognise that the current UNC arrangements will make it difficult for parties to comply with the proposed EU Third Package Licence Conditions to enable 21 calendar day switching.

Having carried out an initial assessment of the current options, we believe that reducing both the Objection and Confirmation windows seems to be the best solution.

We do not believe that classifying bank holidays as working days would meet the requirements of the Third Package. The proposed licence conditions require Shippers to commence switching on the day after the end of the "Cooling Off" period. If this fell on a weekend then the 21 calendar day switch could not be enacted under the current arrangements.

Q2. Please specify your preferred method to achieve the changes proposed i.e. which process or processes should be reduced and by how many days

Our preferred option would be to reduce the Confirmation window to 5 days and the Objection window to 5 days. This would still allow Shippers sufficient time to manage the Objection process whilst enabling compliance with the 3rd Package requirements. This should also help to minimise system impacts as this approach is consistent with that taken in the electricity market.

Q3. Impacts and Costs:

What analysis, development and ongoing costs would you face if this change were implemented?

It is difficult to determine costs at this stage but we would anticipate that all of the options proposed would require some level of change to I.T systems along with associated costs.

Our new system has a number of in-built calendars that we use for calculations. We do not have one that currently allows for every day to be treated as a working day.

We could put in a "request for information notice" to our third party supplier to cost out inclusion of such a calendar but these tend to take several weeks to complete.

After that we would then need to add in time for internal changes to make all changes to processes to utilise this new calendar for all calculations. We also need to understand how IGTs in particular are intending to operate under this new rule set and determine options if not all GTs decide to go down same route as Xoserve. We can understand that Xoserve would wish to implement least change option for them but as Suppliers we have several different possible operating models that are likely to lead to increases in our costs to implement so we want to look at those which can minimise our overall cost profile.

Q4. Implementation:

What lead-time would you require prior to this modification being implemented, and why?

We would require the same minimum lead time for analysis and development as any other UNC change with I.T system impacts.

Q5. Is there anything further you wish to be taken into account?

Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.

Whilst the proposal to reduce the Confirmation and Objection windows is currently our preferred option, we do recognise that it would still be possible to comply with the EU Directive by commencing registration within the "cooling off period" and then utilising the existing "Confirmation Cancellation" process in the event that the customer notifies the Supplier that they do not wish to proceed with the contract.

Whilst we believe that use of the Confirmation Cancellation process would carry an element of risk for Shippers, we do feel that it should be taken into account when assessing the cost to the Industry of other more complex options as we are keen to find the most cost effective solution.