

Jan Gascoigne
Regulatory Frameworks
National Grid House
Gallows Hill
Warwick
CV34 6DA



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Dear Jan

EDF Energy Response to NTS GCM08: “Introduction of an NTS Entry Capacity Trade Application Fee.”

EDF Energy welcomes the opportunity to respond to this consultation and offer our comments.

Given the uncertainty associated with the demand for the trade of sold entry capacity between ASEPs for this winter, it appears that any charge set will be arbitrary. Setting the application fee to zero will ensure that charges will not create a barrier to entry to those who wish to participate in this process. However whilst removing a barrier to entry on one hand is beneficial, using a zero priced application fee also ensures that there is no barrier to prevent speculative applications. This is especially important given that the process will be facilitated on a first come first served basis, with a reasonable amount of time required to process each application. There is therefore a risk that participants will submit numerous speculative bids with the intention of delaying the process in order to prevent capacity being transferred. This would benefit any User who had entry capacity at a terminal where capacity was perceived to be scarce and wished to sell that capacity. Delaying the trading of sold capacity would be beneficial to this participant if they believed that delay would increase the price that they could realise for their capacity. We therefore believe that it may be appropriate to set a charge at a level to discourage speculative bids, but not create a barrier to entry to participants who wish to utilise this process.

EDF Energy would also question why NGG would reassess the costs following experience from the coming winter, when it is our understanding that the mechanism proposed in modification 151 was an interim solution for this winter. It would appear more appropriate for NGG to develop an enduring solution with the rest of the industry and then reassess the charging methodology in light of this proposal. We would also note that we expect the demand for the trade service to be much greater this winter than in future winters. This is due to the Easington constraint and the regulatory impact associated with Ofgem’s sudden changes to the entry capacity baselines as part of the TPCR with insufficient warning or consultation. It would therefore appear that whilst historical demand for this service will be useful in identifying future levels of demand it is not clear that there will be a perfect correlation between the two.

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