



Debra Hawkin
Regulatory Frameworks
National Grid
National Grid House
Gallows Hill
Warwick
CV34 6DA

06 January 2009

Dear Debra

EDF Energy Response to Charging Methodology Proposal NTS GCM14: “Constrained LNG Credits”.

EDF Energy welcomes the opportunity to respond to this consultation, we support implementation of this proposal.

EDF Energy believes that implementation of this proposal will result in charges that better reflect the costs incurred on the system, and so facilitate National Grid Gas’ (NGG’s) Licence Conditions. However NGG notes that an additional impact of this proposal is to create an incentive to undertake investment to remove any constrained areas on the NTS. We would therefore seek further clarity from NGG as to how this proposal will interact with the revenue driver incentive placed on NGG as part of the last TPCR to undertake investment within the South West area. In particular we would note that within the TPCR Ofgem allowed for an uplift in the revenue driver for any investment in the South West to remove the constraint in the area. In addition we would also note that as part of the TPCR Ofgem placed an incentive on NGG’s purchasing of constrained LNG and so we would seek clarity as to how this proposal also interacts with this incentive.

In relation to this specific elements of NGG’s proposal EDF Energy believes that:

- It is appropriate to base credits on the LRMC rather than the exit charges which have been scaled up to match allowed revenue and so are not reflective of the investment required to remove the constraint.
- The credit should be based on the LRMC at the constrained LNG node rather than the exit zones, as it is between the constrained LNG node and the NBP that the constraint exists.
- The credit should be based on the peak requirements rather than the average requirements, as it is the peak requirements that the investment will have to meet – in line with NGG’s licence obligations.
- These changes will result in a charging methodology that is more cost reflective than the current arrangements and so help to facilitate SLC A 5.

I hope you find these comments useful, however please contact my colleague Stefan Leedham (Stefan.leedham@edfenergy.com, 0203 126 2312)

Yours sincerely

A handwritten signature in blue ink, appearing to read "Seb Eyre".

Dr. Sebastian Eyre
Energy Regulation, Energy Branch