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08 February 2008

Dear Andrew

EDF Energy Response to NGG Consultation: “The Entry Capacity Transfer and Trade Methodology Statement.”

EDF Energy welcomes the opportunity to respond to this consultation and provide comments on the issues raised.

EDF Energy has supported the development of this transfer and trade mechanism through the Transmission Workstreams. We have welcomed NGG’s approach to these meetings whereby they have sought to listen to industry views on these matters and incorporate these into an enduring solution that builds upon the lessons learned from last years TTSEC Auction.

As a Gas Shipper without access to NGG’s planning model EDF Energy is unable to identify whether the proposed methodology is consistent with the economic and efficient operation of the pipeline system. We therefore believe that it would be prudent for both the interim and enduring model to be audited. This will provide the industry with assurance regarding the operation of these new arrangements, and also help to inform the development of any enduring regime.

We would also note that central to the methodology is NGG avoiding “material increases in costs”¹. We would therefore seek clarity as to what NGG has classified material, and how it has reached this view. We would further seek clarity as to how NGG has modelled this in relation to the entry capacity buy back incentive. We believe that this concept is fundamental to the entire methodology and further transparency is required to inform Shipper responses and ensure that the impact of the methodology is as Ofgem intended.


We would further note that NGG’s determination of supply and demand scenarios will have a significant impact on the amount of capacity that could be reallocated as a result of this methodology and the exchange rates that are employed. We therefore welcome NGG’s intention to model these scenarios using both the most up to date TBE data and historical patterns. However we would make the following observations:

¹ Paragraphs 8, 18, 19, 24, 27, 33, 35, 42, and 44.

- Whilst NGG is using a forecast of supply from the TBE, it is relying on historical consumption patterns for demand. We would therefore seek clarity as to why NGG has taken these different approaches?
- NGG have indicated that they will adjust their demand “forecast” “to take account of any significant changes in demand”. We believe that it would be useful were NGG to identify what these significant changes are, and what they classify as significant?
- We would also seek clarity as to what NGG’s assessment of a “credible” difficult” supply situation” would entail. We would note that any “difficult” supply scenarios may provide an appropriate indication of future supplies, but would question how a theoretical supply scenario could be more credible.

I hope you find these comments useful, however if you wish to discuss this in further detail please contact me on the number below.

Yours sincerely

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

Stefan Leedham
Gas Market Analyst
Energy Regulation, Energy Branch