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22 February 2008

Dear Eddie

**EDF Energy Response to Discussion Document NTS GCD05: “Options for an SO Commodity Charge for NTS Storage Facilities.”**

EDF Energy welcomes the opportunity to respond to this consultation. At this stage we do not believe the case has been made for the implementation of a SO Commodity Charge for storage.

In particular we note from the Gas Transmission Charging Methodology Forum (TCMF) on 05 February 2008, that the current proposals for the SO Commodity Charge for Storage would result in the re-allocation of roughly £300,000 from the smallest 25 Shippers. We note that in total this would increase the costs of these smallest Shippers by 400% and would result in a decrease in costs of roughly £175,000 for the largest 25 Gas Shippers, against a total cost of £218 million. We would therefore question whether the benefits of more cost reflective charges would outweigh the potentially negative impacts on smaller players and thus on competition as a whole. Further we would question whether the costs of implementing this charge would outweigh the revenue generated from this charge and any potential benefits that may be inspired.

In relation to the issues raised in the consultation we would make the following observations:


- It appears appropriate that any Storage SO Commodity Charge should only include internal costs and a proportion of the incentive and K. However it remains unclear as to how storage's share of overhead costs will be calculated.
- The allocation of the proposed costs remains unclear and further analysis would need to be undertaken to identify whether these costs are more closely correlated to throughput or nominations.
- It is also unclear whether the SO Storage Charge should be applied to physical or commercial flows. However it would appear logical that if costs were closely allocated to throughput then charges should be applied on a physical basis.
- It is also questionable whether the industry costs associated with continuing to debate this issue remains efficient. We would note that this has been an ongoing issue since 2000 and the impact of this charge is continually decreasing.

We would therefore question whether it is beneficial to continue to discuss and develop these proposals in light of the impacts that it may have. It would appear that the reallocation of costs could have a significant impact on competition for a marginal benefit in terms of cost

reflectivity, and that the cost of implementation would greatly outweigh any perceived benefits. It would therefore appear that this issue should be put on hold for the immediate future.

I hope you find these comments useful, however please contact me should you wish to discuss this further.

Yours sincerely

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

Stefan Leedham  
Gas Market Analyst  
Energy Regulation, Energy Branch