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NTS GCD 08: NTS Entry Charging Review

EDF Trading (EDFT) welcomes the opportunity to respond to this entry capacity charging consultation.

We do not support the proposed changes outlined in GCD 08. There is a significant risk that the proposals will lead to an inappropriate balance between short and long term capacity products. Access to short term capacity is crucial to the effective operation of the traded market – and although we recognize the need to ensure National Grid receives appropriate investment signals – this should not be at the detriment of shippers ability to effectively and efficiently manage their portfolios (both long and short term).

Availability of short term capacity products is an important contributing factor to ensuring security of supply. Shippers must be able to retain flexibility to secure capacity to flow gas in response to short term market factors including weather, gas supply disruptions and unplanned transmission network/storage/interconnector availability. It would be inefficient to push shippers into securing long term capacity to cover all of these risks as they would be likely to secure more capacity than needed – therefore providing distorted investment signals to National Grid.

Restricting short term capacity products would also have a significant impact on liquidity in the UK wholesale market by preventing shippers from trading shorter term products. The UK currently has the most liquid gas market in the EU and we should not be pursuing measures that will severely restrict its development. Many new entrants to the UK gas market do not necessarily want to commit to long term capacity products and these proposals could also raise barriers to entry.

We do not agree that the release of interruptible capacity should be limited. We believe the proposals outlined in GCD 08 are inconsistent with the views of ERGEG as outlined in Pilot Framework Guidelines for Capacity Allocation. The UK cannot pursue proposals which will be out of line with the approach being taken across the rest of Europe and as envisaged by the recently agreed Third Energy Package of legislation. If interruptible capacity can be made available without restricting the allocation of firm capacity then National Grid should, given its obligation to operate an efficient network, be maximizing its availability. It should not wait until all firm capacity has been allocated before releasing interruptible products – as they are essentially different services and will be used by different shippers in different ways.

It is important that shippers have the ability to efficiently manage their risk exposure. Removing the discounts for day ahead and within day firm capacity will restrict shippers' options which coupled with the likely reduction in available interruptible capacity will force them into long term capacity commitments.

The proposed changes in GCD 08 will create an artificial long term capacity market which is simply not consistent with the way in which the wholesale market operates. The proposals would have a negative impact on the



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efficiency of the UK market; would restrict the integration of the UK market with other gas markets; and is inconsistent with the path that new EU legislation is taking. On this basis, we see no justification for these changes to be implemented.

If you have any questions regarding this letter please do not hesitate to contact me.

Kind regards

Cemil Altin
Head of Regulation

