



Eddie Blackburn
Regulatory Frameworks
National Grid
National Grid House
Gallows Hill
Warwick
CV34 6DA

20 February 2009

Dear Eddie

EDF Energy Response to Charging Methodology Proposal NTS GCM05: “NTS Exit (Flat) Capacity & Exit Reform”.

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

We believe that the proposal as it stands represents a reasonable and pragmatic solution to the issues that NGG has identified with regards to the setting of NTS Exit Capacity charges. In particular we would note that:

- Using baseline capacity rather than booked capacity to develop charges is cost reflective. In particular we would note that it is the cost of providing the baseline capacity that NGG is seeking to recover and not the level of booked capacity, which could vary.
- Offpeak capacity should be released through auctions with a zero reserve price. In particular we would note that the offpeak product is designed to release capacity required to meet peak 1 in 20 demand that is not utilised other than at times of peak demand. The cost of this capacity will have been recovered through firm charges and so no additional costs will be incurred in providing this capacity.
- The use of a TO Commodity charge should help to ensure that costs are targeted at those who are currently incurring them, although we would note that these costs will now only be targeted at exit points, whilst under the current arrangements they are targeted at entry and exit. To this end therefore this proposal would appear to be more cost reflective.
- Whilst we do not support the commoditisation of a capacity charge in general, we would note that in these circumstances it appears to be a reasonable and pragmatic solution to the issue. The only other solution would be to increase the firm capacity charges, however we agree with NGG that this could create an additional incentive to not book firm capacity and were this to reach a critical point would result in a flight from firm capacity. In the very long term this may benefit consumers if the cost of the NTS was to decrease as a result of lower investment.

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