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Dear John

Independent Gas Transporters Network Code Governance

Thank you for offering us the opportunity to comment on your proposals to support the development of an iGT UNC with the introduction of new licence conditions for iGTs. We welcome your commitment to progressing this matter relatively swiftly, in order to ensure that the iGT UNC is in place at the earliest opportunity.

As outlined in our response to your original consultation in August 2006, EDF Energy are keen to see the development of an iGT UNC, although our preference would have been for the iGTs to accede to the existing UNC and provide greater harmonisation of industry processes across all gas transporters, and an improved service to customers. Nevertheless, an iGT UNC can still provide us with greater clarity as to processes across iGTs, and will significantly improve our ability to modify current provisions and introduce long awaited improvements.

In order to deliver this, it is critical that a number of areas are safeguarded by being embedded in the licence, and our response to your questions, attached to this letter, outlines our particular areas of concern. In general, we believe that the licence conditions on iGTs should largely reflect the principles and concepts of those in place for large transporters, with which we are familiar, and which are to a large extent tried and tested. Furthermore, similar obligations on all transporters would offer greater potential for iGTs to accede to the UNC at some point in the future.

We would welcome a similar role for energywatch and any other future consumer body in the iGT UNC as that offered under the UNC, and believe that such organisations can bring a useful consumer perspective on the development of relevant industry processes and arrangements.

The regulatory framework to support and frame the iGT UNC is critical to its development, and the two areas of work need to be developed simultaneously. We therefore welcome your proposed timescale and hope that you are able to deliver your proposals as anticipated, and encourage the development of the iGT UNC to run concurrently.



Finally, we hope that you consider our views on your proposals before finalising them for the formal Section 11 notice. In the meantime, please do not hesitate to contact me on 07875 116519 should you require any further clarification on any of our points.

Yours sincerely

Valentine Mulholland

Market Governance Manager

EDF Energy Response to Consultation Questions

CHAPTER ONE:

Question 1: Do you agree that standard condition 9 should replicate, as far as is appropriate, the provisions of standard special condition A11?

EDF Energy's preference, as expressed in our response to the initial consultation on the potential for an iGT UNC, would have been for iGTs to accede to the existing UNC, and whilst we realise that Ofgem and the iGTs have agreed not to explore this option at present, we would still hold this as a longer term aspiration. In view of this, we agree that the closest alignment of standard condition 9, and indeed 10, to the conditions on large transporters would be ideal, and would offer the opportunity for further development. However, there are a number of areas where it would be more appropriate to modify the provisions currently outlined in standard special condition A11 (SSC A11), and we have elaborated on these in answer to your question 4 below.

We would like you to retain the provisions currently included in clause 6 of the proposed standard condition, requiring the iGTs to have prepared an iGT UNC prior to this condition becoming effective. An early introduction of an iGT UNC is important as shippers are keen to see a number of essential improvements to the iGT sector and processes, and there is reluctance for such improvements to be considered under the existing Network Codes. The inclusion of this clause would prevent the development of the iGT UNC being unduly delayed, and would offer industry parties a degree of certainty.

We fully support your proposed clause 8, requiring that the modification rules for the individual short form codes be provided as part of the iGT UNC. Without this, there would be a dilution of the main benefit offered by the iGT UNC, which is to make the modification process clearer, more transparent and consistent across iGTs. Furthermore, if the modification rules for the individual codes were outside the iGT UNC governance arrangements, there would be a risk of this weakness being used to bypass the iGT UNC rules and modify industry arrangements by the back door.

Question 2: Do you consider that standard condition 9 should additionally provide for pre-determined implementation dates for successful modification proposals and the creation of a panel to oversee the iGT UNC modification procedures?

We believe that standard condition 9 must explicitly require the establishment of a panel, as this will safeguard the panel's continued existence – it is not sufficient to be satisfied that this is currently included in the iGT UNC, as this provision could be subsequently modified and, potentially, removed. A modification panel, with fair representation from both shippers and iGTs, is a critical improvement needed to ensure full discussion and consideration of proposed industry changes, and a generally enhanced modification process.

As outlined in your consultation document, shippers have been concerned in the past by certain iGTs' delay and failure to implement approved modifications, and we are therefore very keen for the proposed implementation date of a modification to be both part of the consultation, and ultimately part of the final direction by the Authority, even if the Authority has the ability to then consent to this being changed at a later date.

Question 3: Do you consider that Ofgem should take this opportunity to remove provisions which are unnecessary and/or could appropriately be provided for as part of the modification rules and if so, which?

We have considered the proposed licence conditions 9 and 10, and your suggestions to rationalise a number of areas, and would support the removal of the following provisions:

- We agree with your suggestion to remove clause 2 relating to the relevant objectives to modify the modification rules, as the overall objectives outlined as clause 1, and specifically objective 1f, would equally apply to any basis for changing the modification rules.
- In relation to determinations by the Authority, we agree that the provisions in clauses 18 and 19, outlining areas for referral to the Authority, could be included within the iGT UNC and taken out of the licence, on the basis that the Authority would have to approve any proposed change to these provisions within the iGT UNC.
- In standard condition 10, we also agree with your suggestion to remove clause 4 as duplicating wider obligations on licencees.

Other than these areas, we believe that the standard conditions should replicate, in principle, those imposed on the large transporters.

Question 4: Do you consider that the proposed licence modifications should ensure the rights of third parties to participate in the Network Code and/or the iGT UNC modification procedures?

EDF Energy would support the participation of third parties in the iGT UNC on a similar basis as under the UNC, and we do believe that this should be established as a licence condition, which would safeguard this third party right.

CHAPTER TWO:

Question 1: Should the ability of 3rd parties to raise modification proposals be restricted in the same way as in the GDN's UNC?

As outlined in our response to the previous question, we believe that the rights of third parties in the iGT UNC should reflect those under the UNC, and this would apply to restricting their ability to raise modification proposals to those requesting that further information be made available to the market.

CHAPTER THREE:

Question 1: Do you consider the timetable set out to be reasonable?

Since this consultation was issued by Ofgem, EDF Energy requested that the iGTs reconsider their close out date for the initial modification proposal for the iGT UNC, in order to allow shippers proper consideration of the revised modification rules, and also for them to take the responses to this consultation on board before progressing to the next stage of their proposals. As a result, the iGTs are now aiming to have the iGT UNC in place by early May, which we would hope to see as the latest date envisaged. This provides the Authority with a further month in which to progress the introduction of these licence conditions.

We have outlined earlier in this response that we would want licence condition 9 to require the iGT UNC to be in place before the date on which this condition becomes effective. This means that the licence condition changes could only be implemented at a point when the Authority would be clear that the iGT UNC would be ready, but in order to prevent unnecessary delays, we would suggest that Ofgem set a target date for implementation of the new licence conditions of 1 May 2007. This will provide a fixed target date for the iGTs to work to in managing the modification process to introduce the iGT UNC.

Shippers have been asked to defer the submission of some important modification proposals, pending the development of the iGT UNC against which they could be proposed. It is important that these proposals are not delayed unduly, and that the iGT industry work does not stand still for longer than currently envisaged.