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Dear Sonia

Response to Quality of Information Incentive Scheme Final Proposals for National Grid Gas

EDF Energy welcomes the opportunity to respond to Ofgem's Final Proposals for National Grid Gas's (NGG's) Quality of Information Incentive and comment on the form and scope that any enduring incentive should take.

EDF Energy believes that Ofgem has chosen the correct form and scope for the incentives for this winter and welcome the Uniform Network Code (UNC) proposals that NGG has already brought forward to improve its demand forecasting accuracy.

In relation to the enduring Quality of Information Incentive Scheme for NGG, EDF Energy is of the opinion that the effectiveness of the interim regime for this winter should first be assessed in order to inform Ofgem's decision about the correct scope and form of any enduring regime. We firmly believe that Ofgem should implement an enduring regime, and the current incentive may provide an effective basis for this regime. In particular we believe that:

- Any enduring regime should be a multi-year regime to set NGG clear and transparent targets allowing it to identify and implement long term solutions to achieve these targets.
- The enduring regime should focus on the accuracy of NGG's demand forecasting accuracy throughout the year as it is across the whole year that shippers and consumers rely on this information to balance their portfolio and develop a view of the market.
- Incentive payments should be calculated on a daily basis to ensure that poor performance accuracy at the start of the year does not remove the incentive to improve accuracy for the rest of the year.
- Any incentive should encourage year on year improvements in demand forecasting accuracy, up to a margin of error that is acceptable to the industry. In order to encourage this EDF Energy believes that any future incentive should provide an [x] % improvement on the previous years accuracy. For example if NGG achieved a 5% improvement this winter in its demand forecasting accuracy from 3.6% to 3.4%, then the following year's incentive should set a 5% improvement on 3.4% error to 3.2%.
- In addition to the accuracy of the D-1 13.00 demand forecast that NGG produce, EDF Energy believes there would be merit in incentivising NGG to

improve the accuracy of their within day (D0) 10.00 demand forecast and also the accuracy of the shipper specific Non Daily Metered (NDM) within day demand forecast. Both of these represent important forecasts to the market with the 10.00 providing the first outlook on the demand for the day based on actual metered levels, whilst the shipper specific NDM within day demand forecast is the forecast against which shippers attempt to balance. By improving the accuracy of this last data sets shippers would be better able to balance their within day portfolio and so provide more accurate price signals to the market. This could potentially benefit consumers by removing some of the volatility seen within day prices as shippers attempt to balance against a volatile demand forecast and ensure that any supply/demand imbalance is reflective of the supply/demand position and not an inaccurate demand forecast.

We hope that you find these comments useful, and would be happy to discuss these with you in further detail.

Yours sincerely

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