

Sonia Brown
Wholesale Markets
Ofgem
9 Millbank
London
SW1P 3GE



27 February 2007

Dear Sonia

Gas Quality Scenario Development and Economic Regulations Workstreams – Conclusions

EDF Energy welcomes the work which Ofgem has been conducting on Gas Quality. The publication of this conclusions document forms a useful summary of the output from the Gas Quality Workshops and the options going forward.

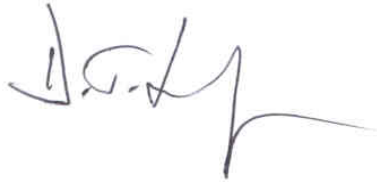
We agree with the conclusion of the Gas Quality Scenario Development workgroup that there is considerable uncertainty regarding gas supply volumes and sources in the future and therefore uncertainty over the composition of future gas supplies. While we recognise that there were some difficulties in obtaining open and transparent views on future flows into the UK, we do not believe that further consultations on the sources of UK gas supplies, over and above those already in place, such as the TBE (Transporting Britain's Energy) process, would provide much more valuable information.

We agree with the conclusions of the Economic Workgroup that the Hybrid models represent a reasonable approach to establishing a gas quality service provision and should ensure that UK security of gas supply is enhanced without developing a gold-plated system. By allowing the facilities involved to be included in the Regulated Asset Base (subject to User commitments) the Hybrid model provides certainty that necessary facilities will be constructed, while the requirement that users importing out-of-spec gas pay for these services ensures that the costs of the facilities will be targeted at those who will benefit from their use. We also agree that NGG should be able to earn higher returns if it efficiently invests over and above capacity levels signalled in the auctions.

EDF Energy recognises that additional work needs to be undertaken in relation to the development of the regulatory framework that should apply to any non-merchant facility developed to address gas quality constraints. Given the clear direction provided by the two workgroups on this issue, it would be beneficial to allow either NGG, or an interested party, to develop this framework. This should enable industry to develop a "workable" solution, while also aligning with Ofgem's principles of better regulation. If this process were to be followed, Ofgem would be responsible for approving, or rejecting, the proposal and so would still be able to provide adequate protection to gas customers in the UK.

I hope you find these comments useful, but please contact Stefan Leedham on 0207 752 2145 or myself on the number below should you have any further questions.

Yours sincerely

A handwritten signature in black ink, appearing to read "D. Linford".

Denis Linford
Director of Regulation