



Joanna Whittington  
Director – Gas Distribution  
Ofgem  
9 Millbank  
London  
SW1P 3GE

09 November 2007

Dear Joanna

### **Leakage and Shrinkage Baselines for GDPCR 2008-13 – October Update Consultation**

We are pleased to respond to Ofgem's October Update Consultation paper on the leakage and shrinkage baselines for the GDPCR for 2008-13.

As in the main Updated Proposals consultation we believe that the existing shrinkage incentive appears appropriate and ensures that the GDNs are incentivised to reduce shrinkage. We believe that a fixed volume for leakage and demand linked volumetric targets for own use gas and theft are also appropriate.

However EDF Energy remains concerned at the lack of metered data for the GDNs' own use gas. We believe that it is appropriate for these volumes to be measured so that it can be confirmed that the GDNs are operating their networks in an economic and efficient manner. This would further enable the development of incentives focused on the different elements of shrinkage, and allow Shippers to comment on whether the proposed baselines and incentives remain appropriate. We note that this was a principle that Ofgem appeared to support in the initial proposals document due to the increasing value of the shrinkage incentive, however this appears to have been dropped with a change in the setting of the Gas Reference Price.

Whilst we note that the change in this formula has reduced the value of this incentive, we are aware that this can change dependent on the market, and what could appear a relatively small incentive now, could change dramatically with the markets. It would therefore appear appropriate that the metering of own use gas is encouraged, and EDF Energy would note that historically the facilities to enable this have been installed but not activated. It would therefore be useful if information could be provided on the number of meters that are installed to measure own use gas, both now and historically to identify whether this could be implemented with little cost to the consumer. We would further note that NGG NTS meters the majority of its own use gas, and this has been important when developing the NTS incentive regime on Shrinkage.

I can confirm that this response can be placed on Ofgem's website, and if you have any further queries please contact me.



Yours sincerely

A handwritten signature in black ink that reads "Stefan Leedham".

Stefan Leedham  
Gas Market Analyst  
Energy Regulation, Energy Branch