

Robert Hull
Director, Transmission
Ofgem
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25 January 2008

Dear Robert

EDF Energy Response to Ofgem Open Letter: “National Grid Gas NTS Price Control Allowance for xoserve”.

EDF Energy welcomes the opportunity to respond to this open letter, and would like to seek clarity on some of the issues raised.

As a Shipper we are unable to identify whether the IT costs allowed by Ofgem are sufficient or not to fund xoserve's IT opex requirements. However we believe that a primary consideration of Ofgem during this process should be to ensure that xoserve has sufficient resources to maintain and operate a reliable system. As a Shipper we are aware of the problems and costs to the industry caused by the Gemini outage and would expect allowances for xoserve to be set at such a level to enable xoserve to maintain a safe and reliable system.

In relation to particular issues raised in the open letter, we would make the following observations:

- **Gemini Costs:** It is not clear whether the Gemini costs were reviewed as part of the GDPCR as they are allocated 100% to NGG NTS.
- **User Pays:** Ofgem have indicated that they intend to remove NGG NTS' share of User Pays revenue from the price allowance, however whilst it appears that this accounts for the difference between NGG NTS' proposed operating costs and Ofgem's proposed allowance this is not clear.
- **Industry Framework Change:** We seek clarity as to exactly what Ofgem is proposing in relation to the funding of Gemini for industry change, and in particular whether all Gemini changes will have to be funded through the User Pays model?

I hope you find these comments useful, however please contact me or Stefan Leedham (0207 752 2145, Stefan.leedham@edfenergy.com) if you wish to discuss these further.

Yours sincerely

John Costa
Gas Regulation Manager