

Robert Hull Director - Transmission Ofgem 9 Millbank London SW1P 3GE

18 February 2008

Dear Robert

EDF Energy Response to Ofgem Open Letter: "Information Request on the Availability of NTS Exit Capacity".

EDF Energy welcomes the opportunity to respond to this open letter, and provide comments.

EDF Energy notes with interest National Grid Gas' (NGG's) view on future flexibility provision and demand. However we believe that there would be additional value in approaching the Gas Distribution Networks (GDNs), CCGT operators and directly connected I&C customers whose future demand NGG are trying to forecast. We believe that this will provide Ofgem with greater visibility regarding the demand for flexibility beyond the OCS horizon, and ensure any flexibility demand forecasts are fully developed using all of the information that is available.

We would also note that overall NGG's assumptions regarding plant closures and CCGT growth appear reasonable up to 2017. However we would question whether it is appropriate to assume that new CCGT build will follow load rather than operate baseload. It would appear that the reason why new CCGT is being built and replacing the coal and nuclear plant closures is because it is the most economical technology at present that can be constructed in time to meet the UK's requirements. It would therefore also appear reasonable to assume that these CCGTs will also operate as baseload plant rather than follow load, because they have an economical advantage over the other fossil fuel plants. It would therefore appear that new CCGTs will not add to the demand for flexibility capacity, and any increase in demand is likely to come from the operational profile of older CCGT plant. It would however appear reasonable to assume that older CCGTS will follow load rather than operate baseload.

It would also appear that NGG's forecast of 11.2GW of new renewables by 2017 is at the most optimistic end of industry expectations, and so the volume of back up generation required to support this intermittent generation is overstated. We would further note that at the moment it is not clear how the cost of this back up generation will be funded, let alone which generation technologies will be utilised to meet this requirement. If this requirement were to be met in part from older CCGTs, then we would expect to see a change in their operating pattern, although this will not necessarily mean that they require additional flexibility capacity. We would therefore note that any older CCGT exporting at maximum when following load will not also be able to act as backup generation, and so the flexibility associated with either profile is mutually exclusive.

EDF Energy 40 Grosvenor Place Victoria London SW1X 7EN

Tel +44 (0) 20 7 752 2145 Fax +44 (0) 20 7 752 2384

edfenergy.com

EDF Energy plc. Registered in England and Wales. Registered No. 2366852. Registered Office: 40 Grosvenor Place, Victoria, London, SW1X 7EN



In terms of the OCS bookings for flexibility by GDNs, EDF Energy believes that the GDNs are best placed to provide an explanation for this. However we would note that the bookings for 2011/12 were only indicative and were made before the GDPCR was finalised and before the impact of DN Interruption reform was known. It is our understanding from discussions at the Transmission Workstream that these bookings should not be viewed as representative of future bookings. We would also note that the demand for NTS flexibility will also be driven by the availability of flexibility on the GDN networks. We therefore believe that it would be beneficial to identify what GDNs believe their future flexibility requirements will be and how this will be met from NTS flexibility and, or GDN flexibility.

Finally EDF Energy believe it would be beneficial were NGG to provide further information regarding the instances when they experienced localised constraints or came close to constraining demand for flexibility. In particular we believe it would be useful to identify whether these constraints were caused by maintenance, low demand, back loading of supplies etc and if possible when these constraints occurred. We believe that this would be beneficial to the debate and may also encourage a change in behaviour to help eliminate these issues. We would note that at the beginning of the winter NGG went to the Transmission Workstream with the issue of back loading at entry points, since which this profile has decreased. At this stage if it is not clear whether this issue was resolved by the industry responding to NGG's presentations or whether back loading is a phenomenon associated with the shoulder months, however we believe that the terminal operators and offshore producers may be able to shed more light on this issue.

I hope you find these comments useful, however please contact me should you wish to discuss these in greater detail.

Yours sincerely

Hafan hachten

Stefan Leedham Gas Market Analyst Energy Regulation, Energy Branch