

Stuart Cook
Director, Transmission
Ofgem
9 Millbank
London
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29 July 2009

Dear Stuart

Informal consultation on National Grid Gas's National Transmission System (NTS) Gas Transporter licence condition with respect to Entry Capacity Substitution

EDF Energy welcomes the opportunity to respond to this consultation and provide its views on Ofgem's proposed changes to National Grid Gas's Transmission licence obligation to facilitate the introduction of Entry Capacity Substitution.

EDF Energy has been following the development of the Entry Capacity Substitution methodology statement since it was introduced in the 2006 Transmission Price Control Review and recognises how fundamental this issue is to the proper functioning of the UK gas market. There are many existing and new infrastructure projects that are coming on line or being planned in the next few years which will contribute to supply security in the UK and we would not want extra unnecessary risk and costs placed on industry and consumers alike.

We share the concern of market participants that the licence as currently drafted is rather rigid, making it hard to understand how it interacts with NGG's wider licence obligations to maintain an efficient and economic network. This could constrict the development of a suitable capacity substitution methodology and the proper functioning of the market itself.

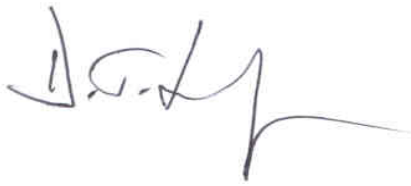
We therefore agree with Ofgem's proposed licence changes to Special Condition C8D: Part C, sections 8 and 10 as laid out in Schedule A. We recognise that the licence text does not fundamentally change the policy aims and objectives of substitution nor its intent, but we consider that the new drafting will help to clarify the principles which should be followed when deciding whether to substitute entry capacity or not.

On a general note, we believe that new licence obligations should not be so rigid as to constrain the development of proposals or modifications that will be developed later in order to meet the requirements. We also believe that these should be fully discussed first with the industry, so that there is full understanding and agreement on what the licence changes are designed to achieve. This will avoid unnecessary time and resources being dedicated to resolving licence drafting by the licensee and Shippers who will ultimately have to design a regime to comply with Ofgem's intentions. We hope

Ofgem will consider this and implement new governance procedures for Licence drafting, in light of these issues, especially for the next TPCR in 2012.

I hope you find these comments useful. Please contact me or my colleague John Costa on 020 3162 2324 or myself, if you have any questions or would like to discuss any aspect of our response.

Yours sincerely

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

Denis Linford
Corporate Policy and Regulation Director