

Ian Marlee
Partner, GB Markets
Ofgem
9 Millbank
London
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17 December 2010

Dear Ian,

Guidance on the Third Party Access Regulatory Regime for gas storage facilities in Great Britain

EDF Energy welcomes the opportunity to respond to this Ofgem consultation.

EDF Energy is one of the UK's largest energy companies with interests that include nuclear, renewables, coal and gas-fired electricity generation, combined heat and power and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users, and are building a gas storage facility in Cheshire called Hill Top Farm which will be operational by the end of 2011.

We recognise that there are currently only two storage facilities in the UK that are subject to negotiated TPA arrangements, namely Hornsea operated by SSE Hornsea Ltd (SSEHL) and the Rough storage facility operated by Centrica Storage Ltd (CSL). We believe these facilities have operated well in the spirit of nTPA arrangements under the Second EU Energy Package. Nevertheless, we welcome Ofgem's further guidance to Storage System Operators (SSO) on how the requirements of the Third Package should be implemented in the UK.

We have not responded to each individual question in the consultation however we would like to make the following points in relation to each topic area raised:

- There is a recognised lack of gas storage capacity in the UK and the high-level of regulatory, planning and policy activity has often been cited as an investment risk.
- Ofgem's guidance has provided some clarity over the implementation of the Third Package, but we believe it goes further than is required – any new regulatory burden should not unduly hinder current and future gas storage investment.
- We agree that pivotality analysis could be used to determine whether a player has Significant Market Power (SMP) by having 10% or more of the volume of gas demand, but we believe:
 - It should not be confined to storage capacity but should apply to all sources of UK supply at a Group level.
 - Measure of pivotality should be considered across different supply periods, such as daily, weekday/ weekend, summer / winter and peak day etc. in order to assess whether a player has SMP.

- Where a player exhibits SMP it does not necessarily mean they will exercise their SMP.
- The 10% volume as a threshold is arbitrary and could in different scenarios be too much or too little – e.g. depending whether it is applied in winter or summer months.
- Transparency of information is key to understanding when a market player will be pivotal or could be exercising its SMP.
- Reserve prices – we welcome Ofgem’s proposal not to set methodologies for how these are set, as the Third Package does not mandate this. We agree that these may be necessary for SSOs with SMP, where it prevents or makes it expensive for its competitors in related markets to buy storage services.
- Anti-hoarding mechanisms – these are defined under the Third Package, and UK nTPA facilities are largely compliant by offering unused and interruptible capacity, though we would support an alignment of the rules to aid market participants.
- Secondary markets – we would agree that the arrangements for secondary trading of storage capacity currently in place at nTPA UK storage facilities are generally consistent with the requirements of the Gas Regulation.
- Regulatory creep – we note that the Third Package requirements are becoming more onerous and we would not want these rules to spread to and undermine exempted facilities, which form the majority of UK storage facilities.

We trust you will find our comments useful. Should you wish to discuss any of the issues raised, please contact my colleague John Costa on 020 3126 2324, or myself.

Yours sincerely,

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

Denis Linford
Corporate Policy and Regulation Director