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Dear Paul

Income Adjusting Event at Fleetwood Entry Point

EDF Trading (EDFT) welcomes the recent changes made to National Grid Gas' (NGG's) Gas Transporter licence in order to allow the raising of an Income Adjusting Event (IAE) by a shipper. It has been disappointing that NGG has not taken into consideration the views of its customers and raised the IAE themselves. EDFT supports Centrica Energy's IAE proposal at Fleetwood Entry Point. The IAE must to be approved by the Authority to prevent NGG making "windfall gains" at the expense of customers. It is clear to us that NGG should not receive £40 million over a 5 year period through socialisation via the SO commodity charge on all shippers but rather the amount that Ofgem assess has been incurred on an economic and efficient basis.

EDFT is surprised that NGG indicates it has incurred £9.9 million in costs despite Canatxx failing to receive planning permission for its project. Ofgem must undertake a full assessment of the individual costs submitted by NGG to ensure they were incurred on an efficient an effective basis. As part of this Ofgem should assess whether the absence of IAE at the time NGG began to incur expenditure in relation to the Canatxx distorted its behavior to develop an efficient transmission system which would be inconsistent with its obligations under the licence.

The consultation mentions the possibility of entry capacity substitution as a solution for moving the Fleetwood capacity to another entry point from 2017. However, there is too much uncertainty associated with the future development of the NTS and the entry substitution arrangements to guarantee that an incremental signal will arise in 2017 which is in close proximity to Fleetwood and for potentially 650 GWh/day. It is not beneficial for shippers and consumers to incur increased costs to create an option for entry capacity substitution in the future, for an incremental signal that may not arise close to Fleetwood.

EDFT also urges the baseline at the Fleetwood Entry Point to be reset. If NGG is not receiving £40 million for Fleetwood entry capacity, then the obligated capacity should be removed from the system modelling. Leaving the capacity in the modeling creates a considerable degree of uncertainty into the forecast of system flows and planning of the NTS. There could also be implications for entry capacity reserve pricing as a result of this additional uncertainty of system flows.

Yours sincerely

Cemil Altin
Head of Regulation