

Dora Ianora
Industry Codes and Licensing Manager
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15 March 2012

Dear Dora

Open letter consultation on changes to Ofgem licensing policy for gas traders

EDF Energy welcomes the opportunity to comment on the issues raised in your open letter in respect of Ofgem's proposed change to its licensing policy for gas traders.

We fully support the participation of non-physical players in the energy markets and believe that any inappropriate regulatory requirements currently placed on such parties should be removed in order to reduce barriers to entry. The existing gas market arrangements require participants to hold a gas shipper licence in order to be able to access the necessary market systems and trading platforms. These arrangements result in trading parties, who simply wish to participate in a non-physical capacity, acquiring gas shipper licences, even though they have no intention of carrying out the licensed function of a gas shipper, i.e. arranging the physical conveyance of gas from one point to another.

We do not believe the participation of non-physical players in the gas market should be dependent on the possession of a licence. We therefore support moves by Ofgem to remove the requirement to hold a gas shipper licence for gas traders on the basis that they are not shipping gas on the GB network. Appropriate market entry requirements, security and other commercial terms required to facilitate participation of non-physical players can be appropriately dealt with by provisions in the industry codes and contracts as opposed to the licensing regime. This would bring the gas arrangements in line with the electricity market, where non-physical parties are unlicensed.

Finally, we do not believe that the issues identified in the open letter, which may arise in the event of this proposal, pose a sufficient risk to prevent the licensing policy change being implemented. However, we do acknowledge, and support, Ofgem's continued monitoring of the regulation of gas traders, in order to ensure that no regulatory gaps or double regulation arise out of the development of EU and Domestic legislation.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact my colleague Steven Eyre on 01452 653741, or myself.

Yours sincerely,

A handwritten signature in blue ink that reads "Paul Delamare".

Paul Delamare
Head of Downstream Policy and Regulation