



Jacob Kane
Smarter Grids and Governance
Distribution Policy
Ofgem
9 Millbank
SW1P 3GE

26 July 2013

Dear Jacob

Independent Gas Transporters' Relative Price Control – Consultation on revising the guidance document and potential changes to Special Condition 1 of the IGT licence

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users.

We welcome the opportunity to comment on Ofgem's consultation regarding the extent that IGTs Relative Price Control (RPC) guidance document and licence needs changing. It is imperative that IGTs are regulated to the same extent and levels of efficiency as Gas Distribution Networks (GDNs) who are subject to a full price control, in the interest of consumers. We agree that Ofgem's updated guidance document is an improvement in this respect and that further change to IGT licences is not warranted but believe it would be efficient and prudent for Ofgem to continue to maintain a role in monitoring their Relative Price Control performance in the short term.

Our detailed responses are set out in the attachment to this letter, however, going forward we would welcome Ofgem's thoughts on when the IGTs RPC which runs out in 2014 is going to be reviewed?

We hope you find these comments useful but should you wish to discuss any of the issues raised in our response or have any queries, please contact Mark Cox on 01452 658415, or myself.

I confirm that this letter and its attachment may be published on Ofgem's website.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Angela Pearce'.

Angela Pearce
Corporate Policy and Regulation Director

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Attachment

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EDF Energy's response to your questions

Q1. Do you agree that it is no longer necessary for us to carry out our current monitoring role of IGT charges under the RPC?

We believe it would be prudent and efficient for Ofgem to continue its monitoring role of IGT charges. We recognise that modification IGT43v of the IGT Network code will help shippers in monitoring IGT charges through the consolidation and alignment of IGT invoicing, however, this modification has only be in place a short while. We therefore feel it is important for Ofgem to carry on monitoring these charges biannually to understand if they are in line with RPC and Licence duties and any legacy charging arrangements approved by Ofgem. This should also help Ofgem in their yearly comparison with GDN charges and when they come to renew the RPC in 2014. In the mean time we would welcome Ofgem's views of what the escalation process would be for instances where charging issue raised with IGTs are not resolved.

Q2. Does this change to the guidance make this issue clear?

We agree that the new guidance text is clearer and better reflects the intention of the current IGT licence, which we found under Special Condition A47 rather than Special Condition 1. While we agree that Ofgem's first interpretation is correct we note that in the original Ofgem consultation back in 2003¹ it states that this initial infill surcharge of 10p/th (0.3412p/Kwh) would be "capped" at this level rather than escalated. However, we recognise this may just been different use of language at the time as the licence clearly states it can be escalated by RPI.

Q3. Does the revised guidance provide sufficient clarity or do we need to amend the licence?

We believe the revised guidance is sufficiently clear such that it does not warrant amending the licence.

Q4. Should we proceed with licence changes (and a full statutory consultation) to address this issue?

We do not believe this warrants further licence changes as it is not clear that this risk of IGT charges decoupling from GDNs when either the ceiling or floor cap is breached is significantly material. As Ofgem states, it has not been a problem to date but even if it is we note that Ofgem's example in Figure 1 shows that it could happen when either the ceiling or floor is breached and therefore the affect should level out in the end. The

¹

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=32&refer=Networks/GasDistr/IGTReg>

question seems to be more about whether the IGT ceiling and floor cap is sufficiently wide or whether IGTs charges should be allowed to track GDN charges fully, without caps.

Q5. Is our intention on this issue clear. If not, what steps should be taken to make this clearer?

Yes Ofgem's intention is sufficiently clear.

Q6. Are there any other drafting issues that you feel may need addressing by amending Special Condition 1 of the IGT licence?

No.

**EDF Energy
July 2013**