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Project Nexus: statutory consultation on licence modifications and further consultation on UNC modifications to introduce iGT Single Service Provision

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.

EDF Energy welcomes the opportunity to comment on Ofgem's statutory consultation on licence modifications and further consultation on UNC modifications to introduce independent gas transporters (iGT) Single Service Provision. We support Ofgem's proposals and would like to highlight that:

The proposed licence drafting achieves the policy proposal to oblige iGTs to use an Agent's common services: an existing obligation for other gas transporters (GTs).

- We would welcome a timely decision on UNC 0440 and 0467 in order to provide the necessary regulatory certainty to enable the industry to move Project Nexus forward.
- We support Ofgem's minded to accept UNC 0440; we strongly believe that the introduction of a common Agency for the iGTs and the GTs will ensure that the same standards of service will be applied across all iGT and GTs' systems and processes. Despite the costs of delivering Project Nexus; EDF Energy believes that the introduction of a Single Service Provision through the implementation of UNC 0440 and its equivalent iGT modification iGT UNC 039 introduces significant cost savings for Shippers and is the most significant financial benefit of Project Nexus.
- We support Ofgem's minded to accept UNC 0467; it presents an opportunity to creating consistent data between the iGTs and the GTs which is crucial to ensure the accuracy of energy allocation across the gas network.

Our detailed responses are set out in the attachment to this letter. Should you wish to discuss any of the issues raised in our response or have any queries, please contact Natasha Ranatunga on 020 3126 2312 or me.

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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 "Mark Cox".

Mark Cox
Head of Transmission and Trading Arrangements

Attachment

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EDF Energy's comments

Proposed licence drafting

We have noted a few minor typographical errors that could be corrected before being included in the final Licence drafting.

	Ref	Proposed Licence Drafting	Suggestion
1	Para 2	Typographical error	... the 1 October 2015 (unless ...
2	Para 4	Undefined term 'methodology'	Although defined in para 7, it may be appropriate it define it in para 4 where it is first used.
3	Para 7	Typographical error	... Relative Price Control) for the activities...
4	Para 7	Typographical error	... methodology". Such contribution ...
5	Para 7	Typographical error	... charging arrangements under Special Condition ...
6	Para 7	Typographical error	... Relative Price Control) or otherwise...

iGT Agency Services: iGT contribution methodology

We welcome Ofgem's proposed iGT contribution methodology which seeks to determine the maximum contribution to the operating costs of the agency services constituting the iGT Single Service Provision. However, there is still uncertainty on the operating costs for Single Service Provision that Shippers will incur. We would welcome confirmation of these costs as soon as possible.

UNC modification proposal 0440: Project Nexus – iGT Single Service Provision

We support Ofgem's minded to accept UNC 0440; we strongly believe that the introduction of a common Agency for the iGTs and the GTs will ensure that the same standards of service will be applied across all iGT and GTs' systems and processes. UNC 440, if implemented, would bring significant benefits to Shippers and represents a real change to the status quo; we have identified that implementation of this modification proposal would:

- reduce industry costs of administering multiple gas system and processes to manage differing iGT and GTs processes;
- improve data quality across iGTs;
- automate existing ad hoc and offline processes;

- ensure common governance arrangements for CSEPs to manage allocation, settlement and reconciliation which will reduce the amount of manual administration; and
- reduce the amount of unidentified gas that is caused by the current processes as there should no longer be any sites that are registered with the iGTs and not the GTs.

If UNC 0440 is not implemented, it could exacerbate existing issues of operating two different processes for GTs and iGTs when UNC 0432 goes live undermine some of the benefits of 0432 and hamper the roll out of Smart Metering.

In our response to the UNC 0440 consultation we highlighted that we would welcome a review of the current arrangements to calculate shrinkage on iGT networks which currently are not applied. We believe that this is important otherwise this shrinkage will continue to be treated as Unidentified Gas.

UNC modification proposal 0467: Project Nexus – iGT Single Service Provision data preparation

We support Ofgem's minded to accept UNC 0467; it presents an opportunity of creating consistent data between the independent gas transporters and the GTs which is crucial to ensure the accuracy of energy allocation across the gas network. It is important to ensure that the data is cleansed and prepared (including resolution of any missing or inaccurate data) prior to migration into the new UK Link system proposed under Project Nexus. If UNC 0467 is not implemented then this will adversely impact the new processes going forward and so lead to a reduction of the perceived benefits of the new settlements regime.

It is appropriate that the charges to recover the costs of UNC 0467 are to be allocated on the basis of each shipper's market share of iGT connected supply points.

EDF Energy
January 2015