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Alena Fielding
Gas Transmission
Ofgem
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Dear Alena,

Gas transmission charging review - EDF Trading's response to the consultation on Ofgem's policy position on entry charging arrangements and the related impact assessment

We welcome the opportunity to comment on Ofgem's policy position on future entry charging arrangements and the assessment of potential impacts. We have responded to specific questions below.

Chapter 2

Question 1: What are your views on our proposed changes?

It is difficult to comment on the proposals and their impacts when:

- The final outcome of the EU Tariff Network Code (TAR NC) is still uncertain. It is not yet clear what changes to the GB charging arrangements will be needed.
- Details that would affect the net impact on charges under the proposed arrangements are still to be defined, including the precise method of calculating floating charges, the level of the discount on short-term products, the impact on the short haul tariff and how existing long term contracts will be treated – the latter which would affect not only holders of long term capacity contracts but cost distribution among all shippers.

We agree that if floating capacity charges are introduced:

- The floating 'top-up' element should not apply to storage users. This is in line with security of supply objectives.
- Apart from storage users, floating capacity charges should apply to all users. We do not believe that two separate charging systems would be likely to allocate costs fairly or lead to a more efficient use of the network.

We also agree that the short run marginal cost principle should continue to be recognised – not matter if floating capacity charges are introduced or not. Flexible short term capacity products provide optionality that encourages short term trading, which is important both for preserving NBP liquidity and to encourage e.g. price responsiveness of interconnector flows.

Question 2: Do you agree with our rationale for rejecting the alternatives? If not, please explain why.

As noted above, we agree with Ofgem that it would be better to implement floating charges on all network points rather than a dual system.

Chapter 3

Question 1: Do you think we have identified the relevant quantitative impacts?

We agree that the relevant quantitative impacts are the level of entry charges and potential distributional effect on network users.

Question 2: Do you think we have modelled the impacts appropriately?

We believe it is difficult to model impacts with precision, but that shortcoming and assumptions have been identified. We, however, believe that a number of questions remain open that could significantly affect the net effect on charges and distribution among network users.

Question 3: Do you think we have identified the relevant qualitative impacts?

As above, we agree that relevant impacts have been identified, but believe a number of questions remain open that could affect the net impact on charges and distribution among network users, which makes it difficult to assess the effect on areas like efficient use of the network, cross-border trade and security of supply.

Please do not hesitate to contact us, should you wish to discuss any of our comments further.

Yours sincerely,

A blue ink signature, appearing to read 'Sofia Eng', is written over the name 'Sofia Eng'.

Sofia Eng

Regulatory Advisor

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