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Dear Andrew

EDF Energy Response to Consultation on the NTS Exit Capacity release Methodology Statement (ExCR) in Respect of the Transitional Period.

EDF Energy welcomes the opportunity to respond to this consultation. We support implementation of the proposed changes to the ExCR methodology Statement.

Under the current arrangements any “spare” exit capacity on the NTS is allocated on a first come first served basis, with Users only able to register (and so secure) their capacity requirements 6 months and 32 business days ahead. Developments that require connections to the NTS generally take significantly longer than this reservation period, with CCGTs generally having a lead time in excess of 24 months. This creates a perverse risk to developers that wish to connect to the NTS where there is “spare” exit capacity as the spare capacity may not be available when the development is complete as it has been acquired by another development or is being utilised through an increase in a GDN offtake booking. This therefore creates a potential barrier to any new developments that wish to connect to areas where there is spare capacity.

However if a developer wishes to connect to the NTS where there is no spare capacity, and so investment is required to support this additional load, then they are able to sign an Advanced Registration of Capacity Agreement (ARCA). Whilst there is a financial user commitment associated with this ARCA to secure the investment, the developer benefits from the knowledge that the capacity will be made available when required. This therefore creates a perverse incentive on developers to connect to the NTS where there is no spare capacity as they are able to secure their capacity requirements. EDF Energy does not believe that it is efficient or economic to have arrangements in place that discourage developers from utilising spare capacity.

Further we would note that in response to LCPD, and ageing generation plant the UK is heavily reliant on new CCGT build to meet our generation gap, and also to help meet our CO₂ targets, presuming that closed coal stations are replaced with CCGTs. One of the main influencing factors for the connection of generating stations is the availability of access to the electricity Transmission System (TEC). EDF Energy is aware of locations within the UK where TEC is available within the construction lead times of a CCGT, and there is also spare gas exit capacity, suggesting that these locations would help to optimise the use of both the gas and electricity transmission systems. However whilst the developers are currently able to

secure their TEC requirements at these locations they are unable to secure their gas requirements. This exposes developers to the risk that they are having to pay significant TNUoS charges to support their TEC, and are unable to utilise their expensive assets as gas capacity is unavailable. This could therefore have significant security of supply and environmental implications.

The proposed change to the ExCR overcomes these issues and allows generators to secure gas exit capacity where they can demonstrate that they will be able to take gas when they have requested. This will remove the risk that the capacity is not available when required and so remove a barrier to entry for new CCGTs that wish to help optimise the use of the Gas NTS, and so also remove the perverse incentive to locate where spare capacity is not available. Further by reducing a barrier to entry this proposal can be seen to be beneficial to security of supply and have environmental benefits. In particular we would note that this proposal:

- Facilitates competition by removing arrangements that favour developments connecting where there is no spare capacity, which could potentially be viewed as unfair discrimination.
- Encourages the efficient and economic operation of the pipeline system, with its associated environmental benefits.
- Improves the UK's security of supply by removing a barrier to entry for new CCGT developments.
- Reduces the likelihood of capacity hoarding by requiring developers and Shippers to demonstrate that they will be able to utilise the capacity when it is made available.

However we would note that the ExCR is not clear on what evidence would be acceptable to demonstrate that the capacity will be required. Whilst the ExCR does identify that planning applications and Section 36 consents may be acceptable, National Grid also notes that this will vary by project. We therefore believe that it would be beneficial for National Grid to produce a guidance document outlining what evidence would probably be acceptable. This will provide developers and Shippers wishing to reserve capacity with transparency on the hurdle that they will have to meet in order to secure the capacity. We recognise National Grid's opposition to including this within the ExCR as it may constrain them, and so believe that a guidance document outside of the ExCR would be beneficial, reducing a barrier to entry.

I hope you find these comments useful, however please contact my colleague Stefan Leedham (Stefan.leedham@edfenergy.com, 0203 126 2312) if you wish to discuss this response further.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Seb Eyre'.

Dr. Sebastian Eyre
Head of Energy Market Regulation,
Energy Branch