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Dear Paul

**Ofgem Consultation 210/09: “User Commitment for National Transmission System Quarterly Entry Capacity Initial Impact Assessment on modification proposals”.**

EDF Energy welcomes the opportunity to respond to this consultation and provide comments on the work that Ofgem has undertaken within this Impact Assessment (IA). At this stage our preference is for the introduction of Licence Condition changes as identified by Ofgem. We believe that these alone will resolve the issues identified by the industry, and at a significantly lower cost than the modification proposals. However, if Ofgem were to implement a UNC Modification Proposal, we continue to support the implementation of proposals 0246A and 0246B, with a preference for 0246B. We have provided detailed comments to the specific questions raised in the consultation as an attachment to this letter.

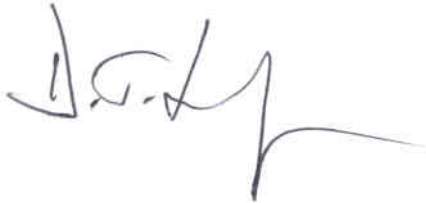
As identified within the IA, the current issues for the gas industry can arise because a single entry point Shipper could book capacity for a new project which fails to materialise. In this instance, National Grid Gas (NGG) could experience a significant increase in its revenues with no underlying increase in its cost base, which will have to be funded by Shippers and ultimately consumers. At the same time the booking Shipper could continue to delay its obligations to pay for the capacity by failing to put up the required credit 12 months in advance – in effect giving it a free option. All three modification proposals address this latter issue; however they all go further, by requiring all Shippers booking QSEC entry capacity to lodge credit in some form to cover their bookings. This therefore introduces a further incentive to only book the capacity required. However, while these proposals attempt to reduce the likelihood of these situations occurring, they cannot address the outcomes if they do occur, which can only be addressed by amending NGG’s Licence Conditions.

EDF Energy believes that the Licence Changes proposed by Ofgem will address the issues identified, when a project provides signals for investment capacity but fails to be delivered. In particular, we believe that the Licence Conditions reflect an appropriate balance between risk and reward and, if implemented, should help to ensure that revenue drivers are more closely linked to NGG’s investment decisions and investment. We believe that this will ensure costs and risk are appropriately targeted at those best placed to manage them – namely NGG.

As a general point, Ofgem should note that EDF Energy supports the arrangements in electricity whereby a generator connecting to the system can choose between the Final Sums Liability (FSL) or Interim Generic User Commitment (IGUC), when securing their TEC release. We believe that these arrangements ensure that new generators connecting to the system underpin the investment that is required to support their connection and so minimises the risk to the industry, whilst allowing connecting generators to choose the most cost effective solution and so reduce the costs to consumers. We would note that this regime differs materially from that proposed for gas, in that these arrangements are targeted at new sites connecting to the system and the values secured are significantly larger.

I hope you will find these comments useful. if you have any queries, please contact Stefan Leedham on 020 3126 2312 or myself.

Yours sincerely

A handwritten signature in black ink, appearing to read "D. Linford".

**Denis Linford**  
Corporate Policy and Regulation Director