

The Joint Office, Relevant
Gas Transporters, shippers and other
interested parties

Andrew Fox
Senior Commercial Analyst
Gas Charging and Access
Development

andrew.fox@uk.ngrid.com
Direct tel +44 (0)1926 656217
Direct fax +44 (0)1926 656604
Mobile +44 (0)7768 104846

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www.nationalgrid.com

Dear Colleague,

Consultation on the NTS Exit Capacity Release Methodology Statement (ExCR) in respect of the Transitional Period.

Special Condition C18 of National Grid Gas plc's ("National Grid") Gas Transporter Licence in respect of the NTS (the "Licence") places an obligation on National Grid to prepare and submit for approval by the Authority before 1st April in each formula year an NTS exit capacity release methodology statement ("ExCR") setting out the methodology by which it will determine whether to release NTS exit capacity to gas shippers or DN operators. Following industry consultation National Grid submitted its proposed methodology to the Authority on 20th March 2008. This was subsequently approved on 20th May 2008.

On the 7th May 2008 RWE raised a UNC modification proposal¹. This proposal is intended to make Advanced Reservation of Capacity Agreements ("ARCAs") available beyond the current limited scope. If implemented, this proposal would, in addition to modifying UNC, require a change to the ExCR. In discussions with National Grid, RWE agreed that their desired outcome could be achieved more efficiently through a consultation on the ExCR without the need to modify the UNC. This was briefly discussed at Transmission worksteam meetings on 5th June and 3rd July 2008.

In addition to the obligation referred to above, Special Condition C18 of the Licence allows National Grid to revise the ExCR at any time. Such revision is subject to the Authority not vetoing the proposal and requires industry consultation prior to submission to the Authority.

This letter therefore notifies gas shippers, DN operators and other interested parties of National Grid's proposed NTS exit capacity release methodology statement in respect of the Transitional Period, which accompanies this letter, and invites views on this statement. As the proposed changes are intended to reflect the issues raised in modification proposal 214, respondents should confine their comments to the proposed changes.

¹ Reservation of Firm NTS Exit Capacity at New NTS Exit Points in the Transitional Period – proposal 0214. This can be found on the Joint Office website at www.gasgovernance.com

There are two principle changes to the existing statement. These are:

1) extending the availability of ARCAs. The requirement for an ARCA remains unaltered, i.e. where specific reinforcement is required and the incremental demand is greater than 20m therms per annum. However, the changes permit a Shipper User or Developer to request an ARCA where capacity is, or can be made, available, but specific reinforcement is not required. To avoid a proliferation of ARCAs the 20m therm / annum criteria has been retained, and ARCAs will not be available if capacity can be obtained through normal UNC processes.

2) Consistent with the timescales required for consultation and Authority review of the proposed ExCR National Grid has proposed an effective date of 1st October 2008 for the revised statement. As the Interim Period ceases on 30th September 2008 all references to the Interim Period have been removed.

Responses to the proposed ExCR should arrive at National Grid by 17:00 on 15th August 2008. They should be sent to:

Andrew Fox
National Grid
NG House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

Alternatively they can be sent by e-mail to:
box.transmissioncapacityandcharging@uk.ngrid.com
and copied to
andrew.fox@uk.ngrid.com

Unless marked confidential National Grid will place all representations received on its website.

If you wish to discuss any aspect of this letter please contact me on 01926 656217.

Yours sincerely

Andrew Fox