

**Statoil (U.K.) Limited
Gas Division**

Statoil House
11a Regent Street
London SW1Y 4ST

Switchboard: 020 7410 6000
Central Fax: 020 7410 6100
Website: www.statoil.co.uk
Email: srouse@statoil.com

Direct Line: 020 7410 6071
Direct Fax: 020 7410 6003

Tim Davis
Joint Office of Gas Transporters
Ground Floor Red
51 Homer Road
Solihull
West Midlands
B91 3QJ

02 March 2007

Dear Tim,

Re: DNPC02: Transportation charges for Interruptible Supply Points

Thank you for the opportunity to comment on above the pricing consultation paper. Statoil (UK) Ltd (STUK), have been active members of the Mod0090 working group and have therefore been party to the industry discussions regarding the proposed changes to the DN Interruption regime and as such would like to make the following comments:

Whilst STUK supports development of the UK regime and accepts that modification proposal 0090 was raised by the DNs in response to licence obligations, it is not in support of the implementation of modification 0090 and the proposed changes to the DN interruption regime. A change to the interruption regime may result in less sites being interruptible and those that are successful in the tender process (should mod 0090 be implemented) being interrupted more frequently. Sites which are currently interruptible but lose their interruptible status could be left with stranded assets as their dual fuel capability is no longer needed. The reduction in interruptible sites will also reduce the volumes of gas able to be taken off during stage one of an emergency, therefore increasing the speed at which stages 2 and 3 of the Network Gas Supply Emergency procedures are progressed, meaning that firm load shedding would happen earlier in the process. This would also mean an earlier suspension of the OCM, minimising the time available for the market to provide a solution.

Given the current tight supply and demand position in the UK and its reliance on gas imports, STUK do not believe that a measure that potentially reduces the amount of dual fuel capability in the UK is appropriate and the introduction of the proposed interruption regime could be detrimental to the security of the system. STUK also believe that if the regime is not targeted correctly and too complex a regime is created, deterring participation,



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there is a real potential for unnecessary investment being made in the networks resulting in a 'gold plated' system.

In response to pricing discussion DNPC02, should UNC modification 090 be implemented STUK are in agreement with the proposed cessation of the current transportation charge discounts and payments in respect of interruptible supply points with effect from 30 September 2007. As of 01 October 2010, it is proposed that all sites will become Firm, with sites having the option of offering an interruptible service to the transporters through a tender process. This therefore means that the interruptible discount will no longer be required.

STUK trust that our comments will be given due consideration and should you wish to discuss any aspect of this response further please contact me on the above number.

Yours sincerely,

*

Shelley Rouse
Regulatory Affairs Advisor

* Please note that due to electronic transfer this letter has not been signed



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