

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

16th May 2007

www.nationalgrid.com

Dear Colleague,

Re: Consultation on the Interim and Transitional NTS Exit Capacity Release Methodology Statement (IExCR).

The Authority ("the Gas and Electricity Market Authority") decision that allowed the sale of gas distribution networks by National Grid in May 2005 concluded that NTS offtake arrangements required reform to be introduced in two phases:

- "Interim Arrangements" to establish the new commercial framework recognising the new NTS/DN interface; and
- "Enduring Arrangements" (by September 2005) to introduce more market based arrangements effective from Gas Year 2008/09 consistent with the Authority's November Final Impact Assessment ("National Grid NTS – Potential sale of gas distribution network business" 255/04a) with regard to NTS Exit Capacity reform.

It was envisaged that the Enduring Arrangements would be introduced shortly after completion of the network sales process. However, on 24 June 2005 the Authority announced the delay to the implementation of the Enduring Arrangements until 2007 for release of NTS Exit Capacity and NTS Offtake Capacity rights from Gas Year 2010/11 to permit more time to consider and refine the detail of these arrangements. Transitional Arrangements were therefore developed to cover the two intervening years between the end of the Interim Arrangements and the commencement of the Enduring Arrangements. This included the extension of the Interim Exit Capacity Release (IExCR) Methodology Statement to cover the Transitional Arrangements. Subsequently the Authority, in its decision letter on UNC Modification Proposal 0116v (and alternates) "Reform of the NTS Offtake Arrangements", delayed implementation of the Enduring Arrangements until April 2008 in respect of capacity made available from October 2011.

Special Condition C18 of National Grid's Gas Transporter Licence in respect of the NTS places an obligation on National Grid NTS to prepare and submit for approval by the Authority an NTS Exit Capacity Release (ExCR) Methodology Statement setting out the methodology by which it will determine whether to release NTS exit capacity to gas shippers or DN operators.

This letter therefore notifies gas shippers and DN operators of National Grid NTS's proposed IExCR Methodology Statement (which accompanies this letter) for the Interim and Transitional Period, and invites views on these proposals.

The principle changes to the existing IExCR are:

- 1) updating the statement for the additional year which is now covered by the Transitional Period arrangements, and
- 2) updating of the table of Initial Volume Allocations (IVA). These values for the NTS Offtake (flat) Capacity at NTS/LDZ offtakes have been taken from the latest figures derived through the Offtake Capacity (OCS) process.

Responses to the proposed IExCR should arrive at National Grid by 17:00 on 13th June 2007. They should be sent to:

Jan Gascoigne
NG House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

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

National Grid NTS will forward all representations to Ofgem.

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

Yours sincerely

Andrew Fox