

Mr. Julian Majdanski  
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20 July 2005

Dear Julian,

**Modification Proposal 0030 - "Extension of the QSEC auction timetable for 2005"**

Total Gas & Power Limited welcome the opportunity to submit the following comments in support of modification proposal 0030. Please note that the response is also submitted on behalf of Total E&P UK plc

We are disappointed with the circumstances that have given rise to the need for this modification to be raised. One of the points stressed by all parties when the long term Entry Capacity auctions were introduced was the need for stability in order to generate confidence for potential bidders. To that extent Ofgem at the time made it clear<sup>1</sup> that, whilst they could not fetter their discretion, they would attempt to minimize uncertainty caused by their actions in making regulatory decisions. Further they stated that it would be highly unlikely that changes would be made that would undermine the product which the (SO) incentives are intended to develop. Specifically, regarding the long-term allocation price schedule, it was stated that the Unit Cost Allowances (UCAs) had been set for the duration of the price control period.

Yet just over 2 years later Ofgem have raised a consultation which is looking at the UCAs and asking for views on a number of options, one of which would radically change these UCAs within the current price control period. Furthermore the proposed timing of the Ofgem decision on the consultation would be during the period when NGT were planning to issue the documentation for the September "QSEC" auction, at a time when potential bidders in the auction would be considering their requirements and looking to gain internal approval for any bidding plans.

It is with this in mind that the industry felt uncomfortable with the current auction timetable and suggested that a delay may be worthwhile in order to give more confidence on the parameters associated with the auction. For this reason we support the proposal.

We have read through the points made in the Draft Modification Report and in general have nothing further to add. Whilst we do not disagree with the listed disadvantages we are particularly concerned about the second one, should there be any impact on the timescales within which Transco would allocate incremental NTS Entry Capacity. We see this as an unfortunate consequence of the timing of the Ofgem consultation but would hope that this disadvantage could be mitigated by holding the auctions as soon as is practically possible after Ofgem have made their decision rather than waiting until the end of the extended period. With regard to the consultation itself our preference would be for Ofgem to withdraw it for the present and re-raise the issues as part of the review for the next NTS price control.

Please feel free to contact me on the number below if you wish to discuss our response in



more detail.

Yours sincerely,

***(This message is sent electronically and is therefore not signed)***

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