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Mr J. Majdanski
Secretary, Modification Panel
Joint Office
National Grid Transco

12 August 2005

Dear Julian

Re: UNC Modification Proposal 0043 - "Limitation on offering for sale unsold capacity"

Thank you for the opportunity to comment on this Modification Proposal.

Transco NTS supports implementation of this Proposal. As the proposer of Modification 0043, Transco NTS set out its views on the Proposal, in particular how Transco NTS considered the Proposal would better facilitate the Relevant Objectives, within the Proposal itself. We therefore include below additional comments beyond those included within the Proposal.

Transco NTS proposed Modification 0043 as a replacement for Modification 0037, which Transco NTS withdrew after careful consideration of the representations received through the consultation process on the Proposal. This was in respect of User concerns regarding the amount of flexibility that the Modification, if implemented, would grant Transco NTS. Transco NTS considered that it could limit its discretion in the release of unsold capacity to address User concerns through a revision to the original proposal.

Transco NTS thus proposed Modification 0043 limiting the applicability of the initial Modification 0037 to only certain calendar quarters for which capacity would otherwise be released through capacity auctions conducted during Transco NTS's current price control ie. prior to 31 March 2007. In addition, Transco NTS envisages that it would only be able to not release unsold capacity in accordance with the criteria proposed in the Modification with the prior written approval of the Authority. Transco NTS therefore considers that this would provide the required comfort to Users in respect of Transco NTS's utilization of the Modification, were it to be implemented.

The period for which capacity would be released through capacity auctions conducted prior to 31 March 2007 would be beyond the end of Transco NTS's current price control for which incentive arrangements are still to be developed. It is Transco NTS's view that Modification 0043 therefore prevents releasing unsold capacity in defined exceptional circumstances to avoid exacerbating an existing buy-back requirement at an ASEP to prevent cost increases for end consumers until the future entry capacity regime has been further considered and agreed during the next Transmission Price Control Review.

Yours sincerely,

Richard Court
Commercial Frameworks Manager