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Dear Julian

9th September 2005

Modification proposal 0046 : Extension of the Sunset Clauses for Registration of Capacity at NTS Exit Points

This proposal impacts on a number of issues associated with the required extension of the sunset clauses for registering capacity at NTS exit points.

Responses to these issues will be provided separately by 22 September 2005 (in respect of DN / DC Arcas, Interim and Transitional Incremental Exit Capacity Release Methodology statement and Standard Condition 4B of the Gas Transporters Transmission Licence).

NGN support the implementation of this proposal. Discussions within industry fora have developed this proposal to a level whereby its implementation would better ensure that NTS and DNs can better ensure security of supply, by ensuring DNO Users are able to request NTS Offtake Capacity requirements and Transco NTS is able to confirm allocations to DNO Users for gas years beyond September 2008. This will support Transporter's undertaking investment decisions in a co-ordinated manner and ensure sufficient transportation capability is available to meet peak demand.

The timeframe for passing of information between the July – October window from 2006 onwards, is likely to result in DNs utilising C.V data provided from the previous October, (historically DNs have utilised equivalent data provided in May/June of the current year). Examination of the relative accuracy of both sets of data (October and May/June) has indicated that decisions based on October data are likely to be no less or more accurate than those based on the previously used may/June data). Consistency of approach in this area may well be best served by Transporters referencing this approach in the Offtake Communications Document.

More fundamentally, this proposals early implementation should forecast any signals received around October 2005, which may necessitate major capacity requirements beyond October 2008, therefore most likely to require system reinforcement and a 36 month timeframe to enable its delivery.

The absence of a UNC proposal in this area may result in Transco NTS having insufficient time to complete any required reinforcement to provide the required capacity in sufficient time. As a consequence DNs are at risk of being in potential breach of their Safety Case requirements.

The likelihood of such eventualities may appear small however NGN believe the implementation of this proposal would negate this risk and provide the required certainty around the required processes for the transitional period.

Yours sincerely

Robert Cameron-Higgs
Network Code Manager

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