

29 May 2007

Julian Majdanski
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Dear Julian

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**Response to Uniform Network Code Modification Proposals:
150 and 150A Transitional arrangements for entry capacity transfers
to sold out ASEPs;
0151 and 0151A Transfer of sold capacity between ASEPs**

Thank you for the opportunity to respond to the above modification proposals. Gaz de France ESS does not support the implementation of any of the above modification proposals.

The above proposals are a response to the change in methodology implemented as part of the 2007 Transmission Price Control relating to entry capacity baselines. The decision to significantly reduce baseline capacity at certain ASEPs is unwelcome as it creates regulatory uncertainty and distorts economic decision making over a longstanding investment period. The consequential obligation to introduce a transfer mechanism for both sold and unsold baselines has led to the hurried development of these urgent modification proposals. Gaz de France ESS does not believe it is appropriate to implement proposals in this area without the opportunity to more fully investigate the commercial and operational consequences of implementation.

From a security of supply viewpoint, this has two major impacts. Firstly, the transfer of capacity between ASEPs, whether sold or unsold is inherently inefficient where the exchange rate is less than 1:1. Modification proposals 0150 and 0151 introduce decayed exchange rates for transfers which could have the impact of reducing the total amount of available capacity on high demand days. This is particularly true at ASEPs which have become artificially constrained by a transfer out of capacity but could otherwise accommodate additional flows on a short term basis.

Secondly, all four proposals reduce the availability of short-term access to capacity. The increased complexity associated with gaining entry capacity coupled with the decrease in availability of day-ahead and within-day capacity makes the UK less flexible to accommodate marginal gas. This may deter gas from marginal "merchant" sources from flowing to the UK at times when the supply/demand balance is tight.

I trust these comments are helpful, if you have any queries regarding this response please contact me on 0113 306 2104.

Yours sincerely



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