

20 July 2007

Mr Julian Majdanski
UNC Modifications Secretary
Joint Office of Gas Transporters
51 Homer Road
Solihull
B91 3LT

Dear Julian

Uniform Network Code Proposals 0156 and 0156A (Urgent) - Transfer and Trading of Capacity between ASEPs

Gaz de France ESS gives qualified support to the implementation of UNC Modification Proposal 0156 and qualified support to Modification Proposal 0156A. Having said this we have a strong preference for Modification Proposal 0156A over and above the original proposal 0156.

Gaz de France ESS has stated in it's previous response to Modification Proposals 0150/0150A, and 0151/0151A, that it regards the transfer of Entry Capacity between entry points on anything other than a one to one basis as inherently inefficient. Such transfers lead to the degradation of capacity over time as the transfer process is utilised and the potential effect baselines being continuously eroded as detrimental to Security of Supply. These comments remain valid in the context of the inter-zonal element of both Modification Proposals 0156 and 0156A and this is the basis for qualifying our support on both counts.

We recognise that there is a requirement to implement a Trades and Transfer process into the UNC firstly, as a consequence of the licence conditions imposed on National Grid NTS and secondly, as a consequence of the squeeze on baselines at some ASEPS resulting from the revised Transmission Price Control Review methodology. In this respect both Modification Proposals better facilitate Standard Special Condition (SSC) A11.1 of the Gas Transporters' Licence in relation to condition C "the efficient discharge of the Licensee's obligations under this licence".

Of the two Modification Proposals Gaz de France ESS is of the view that UNC 0156A better facilitates the SSC A11.1 d "the securing of effective competition between Shippers and Suppliers". Offering a two stage release of capacity via auctions is essential to provide an opportunity for price discovery amongst competing shippers. This is particularly important when such auctions are being run for the first time and is a useful measure to protect against potential hoarding of capacity by a single party.

I trust this information is helpful however should you require any further clarification please contact me on 0113 306 2104 or mobile 07733 322460.

Yours sincerely

Phil Broom
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Gaz de France ESS