

Mr Julian Majdanski

Joint Office of Gas Transporters
Ground Floor Red
51 Homer Road
Solihull
B91 3QJ

Martin Watson
Gas Charging and Access
Development Manager
Commercial
UK Transmission
National Grid

martin.watson@uk.ngrid.com
Direct tel +44 (0)1926 655023
Direct fax +44 (0)1926 653122
Mobile +44 (0)7795 666243

www.nationalgrid.com

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UNC Modification Proposal 0156 and 0156A

Transfer and Trading of Capacity between ASEP's

Dear Julian,

Thank you for your invitation seeking representation with respect to the above Modification Proposals.

Summary

National Grid NTS supports the implementation of Modification Proposal 0156.

National Grid NTS supports the implementation of Modification Proposal 0156A even though this introduces extra complexity and places additional time constraints on running the auction processes. National Grid NTS is also concerned with potential overlaps with other auction processes but can see the merit in a 2 auction (2 rounds in Auction 2) approach. However, it would be preferable to run two initiation processes, one for each auction, rather than one initiation process for the two auctions. This would allow Users to gain experience from the first auction and to refine their approaches, as appropriate, for Auction 2. National Grid NTS also believes that two initiation processes could be undertaken without altering the overall timeline within Mod 156A.

Rationale

National Grid NTS considers that both Modification Proposal 0156 and 0156A would:

- facilitate flexibility for available Capacity to be reallocated to where Users value it most once the baselines have been set at the start of a price control without the User having to indicate where it desires the Capacity to be transferred from.

- allow Users the opportunity to secure additional Capacity, in excess of an ASEP's Obligated level, therefore allowing gas flows onto the System that may otherwise be prevented.
- help avoid the potential sterilisation of Entry Capacity and hence costs be inefficiently incurred.
- be able to be implemented ahead of the forthcoming winter.
- provide fixed ex-ante exchange rates providing certainty for the market.

Extent to which implementation of Modification Proposal 0156 and 0156A would better facilitate the achievement (for the purposes of each Transporter's Licence) of the Relevant Objectives

National Grid NTS considers that both Modification Proposal 0156 and 0156A would, if implemented, better facilitate the following Relevant Objectives as set out in its Gas Transporters Licence:

- in respect of Standard Special Condition A11 paragraph 1(a), the Proposals would provide users at sold out ASEP's the opportunity to seek to procure available Capacity from other ASEP's. This may result in the avoidance of sterilisation of Capacity and the stranding of gas offshore, and thereby better facilitate the economic operation of the NTS pipeline system;
- in respect of Standard Special Condition A11 paragraph 1(c) (the efficient discharge of the licensee's obligations under this licence), the Proposal is anticipated to meet new Licence Obligations on National Grid NTS to facilitate the transfer and trade of Capacity between ASEP's in the constrained period.
- In respect of Standard Special Condition A11 paragraph 1(d), the Proposal would promote the securing of effective competition between relevant Shippers by use of a pay-as-bid auction for the allocation of any available Capacity, taking effect across ASEP's

Regards

Martin Watson
Gas Charging and Access Development Manager