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## **UNC Modification Proposal 0169A**

### **Transfer and Trading of Capacity between ASEPs**

Dear Julian,

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

#### **Summary**

National Grid NTS supports the implementation of Modification Proposal 0169A.

National Grid NTS welcomes the additional development that has gone into this Proposal, which has gone some way towards clarifying the issues that were discussed at the Transmission Workstream on the 2 August 07. The comments below provide our views on the Proposal.

Mod 0169A has many of the same provisions as Mod 0169, the key difference between the two Proposals appears to be the ability of Users to be able to acquire both Unsold and Surrendered capacity at a price that may be below that which other Users at different ASEPs might be willing to pay. The reason put forward for this approach appears to be that only "sterilised" capacity should be moved between entry points, rather than capacity that's still required at the original entry point. An assessment of the merits of the proposal against the Relevant Objectives is given below:

#### **Rationale**

National Grid NTS considers that this Modification Proposal would:

- provide some 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 an 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 NTS Entry Capacity and hence costs being 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 0169A would better facilitate the achievement (for the purposes of each Transporter's Licence) of the Relevant Objectives**

- in respect of Standard Special Condition A11 paragraph 1(a) (the efficient and economic operation of the pipeline system), the Proposal would provide Users at sold out ASEPs the opportunity to seek to procure available capacity from other ASEPs. 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 ASEPs in the constrained period. Our understanding of the policy objective of Trades and Transfers was that these mechanisms should provide a means to move "sterilised" capacity from one entry point where it was not required to another entry point where it was required. Therefore the Proposal would seem to better meet this objective, as it would appear that both the unsold and surrendered capacity is not "sterilised" as there would potentially be Users who required the capacity at the original ASEP.
- in respect of Standard Special Condition A11 paragraph 1(d) ((securing effective competition between relevant shippers), the Proposal would not better promote the securing of effective competition between relevant Shippers as the proposal does not allow all Users to bid on an equal basis for the capacity. In addition both the unsold and the surrendered capacity could be bought by Users to ensure that it is not transferred or traded to another entry point. However it should be noted that were the policy with regards to 'sterilised' capacity as outlined above in 1(c) be clarified and found to be appropriate then this issue with regards to competition between shippers may no longer be relevant.

Regards

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