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Your Reference 0170

**Re: Modification Proposal 0170: 'User Admission Requirements for Applicant Shippers Who Solely Wish to Participate in Long Term Entry Capacity Auctions'**

Dear Julian,

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

National Grid Gas plc (Distribution) ("NGD") is unable to offer support for implementation of this Modification Proposal.

It is not clear whether the Proposer (a User) is seeking purely to expedite the accession process on a temporary basis (to allow participation in the Long Term Capacity Auctions) or whether there is a genuine desire to create a different class of User. Given that the legal text provided with the Proposal is not for transitional arrangements, it appears that the latter is the case. NGD believes that this is not consistent with the delivery of a Uniform Network Code and each individual Network Code as it attempts to create a particular type of User or "applicant" User, which does not currently exist. This could only be facilitated through a change to the Gas Transporter's Licence conditions, as was the case when the Market Operator was designated for a specific purpose, as a Restricted User, following the Reform of Gas Trading Arrangements. There would appear to be no obligation placed upon the applicant User to become a "full" User and no backstop arrangements for the invoicing of the provisional User or for the treatment of the capacity holding of that applicant User in the example where it chooses to exit the market.

The Proposer has suggested that this new type of User would not be able to raise Modification Proposals, which would seem to be contrary to the facilitation of the relevant objectives under section 9 of the Act and the requirement to have modification procedures consistent with these duties.

NGD believes that in allowing the applicant User to fax bids directly to NTS additional administrative risk is added to the community.

NGD notes the arguments put forward by the Proposer in relation to better facilitation of the relevant objectives specifically A11.1 (a), (c) and (d). It appears that offering differing services for different types of User may be at odds specifically with these objectives. The timescales set out currently for accession are derived to allow the necessary checks to be undertaken and allow the timescales to be compressed without the full consideration of all parties would not seem to be prudent. To allow accession without the necessary checks could increase the risks faced by existing UNC parties. Perhaps a more appropriate proposal may have been to allow any party upon the completion of all credit checks/requirements to appoint a User Agent as an interim measure, to avoid any delays which could potentially be caused by installation of systems (currently only a User can appoint a User Agent).

In relation to A11.1 (c), the Proposer indicates that National Grid NTS could derive capacity signals through these long term auctions, which indeed it could. However NGD does not believe that it would be prudent for

NTS to sell capacity to a bidder that has not undergone sufficient checks prior to accession, or to respond to investment signals given by such a bidder.

NGD accepts that the alternatives faced by the party behind this Proposal may not be as desirable (e.g. to contract with an existing User) as becoming a User, however we are not convinced of the benefits of introducing a new class of User and believe that a very strong case would be needed to make such a change via an urgent modification.

Yours sincerely

Phil Lawton  
Distribution Regulation Manager