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Dear Julian

**Re: UNC Modification Proposal 0189 – Amendment to the QSEC Auction Timetable**

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

As Proposer, National Grid NTS supports implementation of Modification Proposal 0189.

**Summary**

National Grid NTS believes that bringing the QSEC auction forward to April would be beneficial as it would allow full use of the build period prior to capacity delivery, would align the default capacity release date to the start of the Gas Year i.e. 1 October, would concur with the TBE timescales and, for 2008, would allow an immediate opportunity for Users to bid against any new baseline figures.

National Grid NTS acknowledges that there are some disadvantages to the proposal, namely that moving the QSEC auction to April may result in National Grid NTS releasing funded incremental obligated entry capacity that may have been avoided if the substitution obligation were in place. We also recognise that Users would have to prepare their bidding strategy earlier in the year than normal and that there would only be a short period of time between baseline levels being finalised and the QSEC auction taking place. However the element of uncertainty that exists due to the interaction of the Modification Proposal with the Ofgem baseline re-consultation is partially mitigated by the release of their consultation document on 20 December (Ref 299/07) which reveals the obligated capacity levels being considered and indicates possible timelines in which Ofgem will make their decision i.e. that if the consultation closes on 30<sup>th</sup> January (as Ofgem informed the industry that it would on January 11<sup>th</sup>), this would allow the implementation of the decision on baselines by 1 April at the earliest.

National Grid NTS would like to reiterate that if the gas entry baselines are not finalised and implemented by 6 May then the proposal will not be implemented and QSEC will take place in September as normal.

**Extent to which implementation of Modification Proposal 189 would better facilitate the achievement (for the purposes of each Transporter's Licence) of the relevant objectives**

In summary, National Grid NTS believes that UNC Modification Proposal 0189 would, if implemented, better facilitate the following Relevant Objectives as set out in its Gas Transporter Licence in respect of the NTS:

- In respect of Standard Special Condition A11 paragraph 1(a), the Proposal would further the economic and efficient operation of the pipeline system due to National Grid NTS being able to make full use of the build period prior to capacity delivery and therefore there being greater certainty that incremental capacity signalled in the QSEC auction will be made available by the date requested.
- In addition, in relation to Standard Special Condition A11 paragraph 1(a), National Grid NTS' TBE forecasts are developed in May/June and presented to the industry in July. Bringing QSEC forward allows the commercial signals received through the auction to be reviewed simultaneously with the industry data provided through TBE. The one-stage process negates the need for forecasting information to be reviewed and updated following a September QSEC, which enhances the overall process and is also beneficial in terms of system planning.
- In respect of Standard Special Condition A11 paragraph 1(d), the Proposal would promote the securing of effective competition between relevant Shippers by aligning the default capacity release date for additional capacity to the start of the Gas Year. In addition for 2008, by moving the QSEC auction to April, Shippers will have an immediate opportunity to bid against any revision to National Grid NTS' obligated capacity levels

If you have any questions, please do not hesitate to contact me

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