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Dear John

Modification Proposal 0256: Amendment to the Network Entry Agreement at St Fergus SAGE Terminal

Thank you for the opportunity to comment on the above Proposal.

National Grid NTS supports implementation of this Proposal.

Comments on Section 1 of the Draft Modification Report, "The Modification Proposal"

National Grid NTS agrees with the Proposer that if the Proposal is implemented, it will allow the relevant Delivery Facility Operator (DFO) access to a wider range of offshore reserves which would enhance security of supply. In practice however, we do not expect gas to be delivered at the St Fergus SAGE terminal at the margins of the proposed expanded wobbe range. Rather, we regard the Proposal as a means of 'levelling the playing field' by allowing the terminal access to the full wobbe range permitted by the Gas Safety (Management) Regulations that is already available to most other DFOs.

The Proposer does not believe that there would be any measurable impact on CV shrinkage if this Proposal were to be implemented but states that a National Grid assessment on this matter would be welcome.

CV shrinkage can arise on the network where gas of a particularly low or high calorific value (CV) enters a Distribution Network which is materially at variance with the flow weighted average CV of all gas entering that network. As the wobbe number of natural gas is directly proportional to its CV, expansion of the wobbe range as contemplated by the Proposal may in theory provide for a wider range of CV to enter the network and thus cause CV shrinkage costs.

However, National Grid NTS agrees with the Proposer that implementation of this Proposal will not cause additional CV shrinkage for the following reasons:

a) as mentioned above, we believe that the Proposal is not being driven by an intention to bring gas of a particularly high or low wobbe and CV specification into the NTS but rather by a desire to 'level the playing field' with most other DFOs;

b) the primary driver of CV shrinkage is low source CVs and this Proposal, by reducing the lower wobbe limit by 1.0 MJ/m^3, would facilitate the entry of more low CV gas at the SAGE sub terminal. However, the nature of gas production which enters the NTS at St Fergus is linked to oil and has historically been of a relatively high CV and we do not expect this to change in the foreseeable future;

c) ExxonMobil gas deliveries mix with deliveries from the two other sub-terminals at St Fergus operated by Total and Shell before entering the NTS. Therefore, in the unlikely event that gas was entered at the SAGE sub-terminal within the expanded wobbe range, this mixing effect would mitigate any CV related commercial risk; and

d) the SAGE sub-terminal already has a lower CV limit of 36.9 MJ/m^3 and so contractually, low CV gas can be delivered regardless of whether the Proposal is implemented. We do however acknowledge that the physical capability of the sub-terminal to do so may be constrained by the current 48.2 MJ/m^3 wobbe number.

Comments on Section 3 of the Draft Modification Report, "Extent to which implementation of the proposed modification would better facilitate the relevant objectives"

By 'levelling the playing field' between ExxonMobil and most other DFOs as described above, National Grid NTS believes that implementation of this Proposal would better facilitate the relevant objective of securing effective competition between shippers.

Yours sincerely

Phil Hobbins
National Grid NTS