

John Bradley
Joint Office of Gas Transporters
First Floor South
31 Homer Road
Solihull
West Midlands
B91 3LT

Fergus Healy
Senior Gas Access Analyst
Regulatory Frameworks

Fergus.Healy@uk.ngrid.com

Direct tel +44 (0)1926 655031

Direct fax +44 (0)1926 656605

www.nationalgrid.com

11 January 2010

Re: UNC Modification Proposal 0276 – Alternative User Pays approach to – UNC Modification Proposal 0263 - Enabling the Assignment of a Partial Quantity of Registered NTS Exit (Flat) Capacity Version

Dear John

Thank you for your invitation seeking representations with respect to the above Modification Proposal. As proposer, National Grid NTS supports implementation of Modification Proposal 0276.

Rationale

National Grid NTS supports the principles of Partial Assignment as outlined within Modification Proposal 0276 (and within Modification Proposal 0263) and recognises the potential benefits that a Partial Assignment process would bring to Users.

National Grid NTS is of the view that the introduction of a Partial Assignment process should be paid for those who may benefit from the functionality and that therefore this service should be paid for through the User Pays arrangements. National Grid NTS does not believe that Partial Assignment will provide a clear benefit for either DNO Users or National Grid NTS.

Furthermore it is the view of National Grid NTS that, as the implementation of Modification 0195AV met National Grid NTS' obligation to implement NTS Exit Reform, the introduction of a Partial Assignment process should be viewed as incremental change to the Exit regime and requires xoserve to introduce incremental changes to its systems and services and consequently falls under the User Pays process.

National Grid NTS is of the view that there is a clearly discernable benefit for Shipper Users in managing their capacity holdings however it is also National Grid NTS' view that the introduction of a Partial Assignment process will not realise any benefits to National Grid NTS that will not already be realised via existing processes such as "Transporting Britain's Energy" (TBE) and the new processes introduced as part of Exit Reform.

Reference has been made that the introduction of a Partial Assignment process would enable Users to provide National Grid NTS with improved long term capacity signals and that preventing inaccurate signals would help the National Grid NTS in the operation of the NTS. In effect Users wish to be able to partially assign their NTS Exit (Flat) Capacity holdings without increasing the overall level of capacity that is held at the NTS Exit Point ensuring that National Grid NTS utilise the correct Capacity requirements in its planning process. It is National Grid NTS' assertion that the introduction of a Partial Assignment process to be utilised by Users when managing their contractual requirements at an NTS Exit Point does not provide National Grid NTS with information that cannot be provided by Users via the existing TBE and Exit Reform processes and that a partial assignment process will primarily be used to satisfy Users imminent contractual requirements (in the short term).

When determining its pipeline build programme, National Grid NTS' planning process requires that a signal be provided up to 38 months prior to the date that the capacity would be utilised. Such a lead

time provides a number of opportunities for Users to correctly signal their requirements to National Grid NTS, Users would be able to avail themselves of the following processes to correct any such inaccuracy:

- NTS Exit (Flat) Capacity Transfer – Users will be able to transfer some/all of their capacity entitlements to another User at the NTS Exit Point
- Annual Reduction Window – Between the 1st & 15th July each year Users can request that their level of NTS Exit (Flat) Capacity be reduced
- Annual Application Window – Between 1st and 31st July each year Users can request additional Annual NTS Exit (Flat) Capacity for Y+1 to Y+6
- Ad Hoc Reduction Process - can be requested by National Grid NTS to support another Users request for NTS Exit (Flat) Capacity at an NTS Exit Point

In addition to the above Exit Reform processes the National Grid NTS TBE process is also undertaken annually. This process will forecast gas demand for up to ten years ahead and is based on a number of different techniques, including econometric modelling, assessment of increased energy efficiency, market analysis, monitoring information from enquiries for new loads and analysis of the consumption of existing large demands. National Grid NTS will also utilise detailed analysis of certain market sectors which will include large commercial, industrial and power generation. All of which feed into National Grid NTS' planning assumptions which mitigates against National Grid NTS reinforcing the NTS based on a false signal.

National Grid NTS further believes that Modification Proposal 0276 should be viewed specifically as introducing an additional requirement above those introduced as part Modification Proposal 0195AV. Having reviewed the minutes of the meetings relating to Review Group 0166 National Grid NTS has been unable to find any evidence that the concept of Partial Assignment was discussed at any stage. Whilst there was a reference in an early version of UNC Modification Proposal 0195AV it is the view of National Grid NTS that this reference was removed both because of the complexity involved and the lack of discussion with Review Group 0166. This view is supported by the lack of references to Partial Assignment within either the Review Group minutes or the subsequent Business Rules that were developed.

It is National Grid NTS' view that Modification Proposal 0195AV implemented NTS Exit Reform and as such satisfies National Grid NTS' obligation to introduce Exit Reform and that any Proposal introducing additional changes to the Exit Regime should be treated as any other incremental change/addition to the services provided by xoserve and as such a User Pays Proposal.

Extent to which implementation of Modification Proposal 0276 would better facilitate the achievement (for the purpose of each Transporters' Licence) of the relevant objectives

National Grid NTS considers this Proposal would, if implemented, better facilitate the following Relevant Objectives as set out in its Gas Transporters Licence:

- ***Standard Special Condition A11.1 (d) (i) and (ii): so far as consistent with sub paragraphs (a) to (c) the securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers;*** For the reasons given below, the Proposer believes that this Proposal will better facilitate relevant objectives A11.1 (d) (i) and (ii):

Users will have more flexibility and confidence in the utilisation/management of their Registered NTS Exit (Flat) Capacity. In particular, it will allow Assignor Users the opportunity to assign capacity within relatively short timescales to Assignee Users in response to their customers' needs. Such needs are likely to arise at interconnector exit points where an NTS User provides services to a number of downstream customers over different time periods.

In the event that a customer chooses to assign capacity to another (incoming) NTS User the current rules do not allow the current (outgoing) User to assign a portion of its capacity to the

incoming User to meet its and their customer's requirements (the current User may need to retain some capacity to meet the needs of its other customers).

In summary, whilst National Grid NTS supports the principal of Partial Assignment it believes that the cost of introducing a Partial Assignment process should be paid for those who may benefit from the functionality and that therefore this service should be paid for through the User Pays arrangements. As such National Grid NTS believes that the recovery of all costs be met proportionately by Shipper Users based on their NTS Exit (Flat) Capacity holdings as at the 1st October 2012. Therefore National Grid NTS supports the implementation of this Modification Proposal.

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

Fergus Healy

Senior Gas Access Analyst
Regulatory Frameworks
National Grid
01926 655031
Fergus.Healy@uk.ngrid.com