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31st January 2011

Dear Malcolm,

Inter-day Linepack Product consultation paper – ‘Open Letter’

Thank you for the opportunity to comment on our anticipated usage of an Inter-day Linepack service, as currently proposed within the UNC Modification Proposal 0337(MP0337). As detailed in our responses below, we do not currently envisage using the service owing to the uncertainty over the price paid. We are also concerned that, should such a service be introduced, the potential need for greater balancing action by National Grid could have a negative impact on the market.

Question One: Having read and understood the nature of the proposal, do you consider that the proposed service will provide your company with an additional, commercially viable, tool to better manage your commercial risks?

No, owing to the uncertainty over the price paid. The price paid is proposed to be the price spread between Within Day and Day Ahead. The uncertainty over the Day Ahead price would probably result in us balancing our position in the market.

Question Two: Are you likely to utilise the Inter-day Linepack service and if so what would determine how much you would seek to purchase?

As above.

Question Three: Do you consider that the potential pricing range of the Inter-day Linepack Product represents a commercial opportunity to your company?

This depends on the pricing arbitrage used. The pricing range could be smaller than being exposed to SMPs, but there is a risk in not knowing what the Day Ahead price is unless the option of comparing SAP at 1400hrs and DA market is used; comparing SAP from one day to another leaves a risk with the Shipper.

Question Four: Do you believe that a zero reserve price is appropriate for this Product?

No, National Grid should not be offering the service at zero, especially if it saves the Shipper money.

Question Five: Do you consider that the indicative recovery period estimated by NGG Transmission is appropriate? If not, do you consider that the recovery period is likely to be over a greater or shorter timeframe?

This assumes that the service is found useful by Shippers.



Question Six: From the table detailed above for each of 1) the initial Implementation cost; and 2) ongoing OpEx cost, which options would you wish to see taken forward as the User Pays cost recovery arrangements for MP0377?

The users of the service should pay.

Question Seven: Are there any other User Pays Cost recovery options you would like to be considered? – Please detail why you believe this alternative option would better meet the relevant objectives.

No.

Question Eight: Do you envisage any other products being positively or negatively impacted by the introduction of the Inter-day Linepack Service?

We are concerned that by offering this service, National Grid will have to take balancing action more frequently and will thereby expose Shippers to potentially wider ranges in SMPs.

Question Nine: Do you have any views regarding the development and implementation of an Inter-day Linepack Product and Quantity Release incentive placed on NGG? What interactions would such an incentive mechanism have on other existing Incentives?

We believe that the introduction of this service will increase the likelihood of Shippers being exposed to greater SMP variance.

Question Ten: Do you have any other issue or views you wish to express regarding the proposed introduction of the Inter-day Linepack Product?

No.

Question Eleven: Do you have any views you wish to express regarding areas that you consider may improve the Inter-day Linepack Product as proposed in MP0337, such that it would better facilitate the needs of Users?

No.-

Question Twelve: In order to enter into the LinePack transactions envisaged by MP0337 NGG believes that Users will need to consider whether they are FSA authorised to do so, or if not, whether they are outside the scope of the FMSA authorisation requirement at all times by taking advantage of an exclusion from such authorisation. Respondents are therefore requested to indicate whether they have considered this matter and if possible indicate whether they are FSA authorised or subject to the appropriate exclusion.

We are not FSA authorised.

We hope that these comments are helpful. Should you have any questions regarding our feedback please don't hesitate to contact me.

Yours sincerely

By email

Iain McCombie
Commercial Operations Manager