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Your Reference: UNC Modification Proposal 0439.

Re: UNC Modification Proposal
0439: Notice for Enduring Annual Exit (Flat) Capacity Reduction Applications.

Dear Bob,

Thank you for your invitation seeking representations with respect to the above Modification Proposal which National Grid Gas Distribution (NGD) would like to support.

Do you support or oppose implementation?

Support

Please summarise (in one paragraph) the key reason(s) for your support.

As with Modification 0417s "Notice for Enduring Exit Capacity Reduction Applications", National Grid Gas Distribution agrees with the principle that once the User Commitment has been covered financially by that User, then it should be deemed to have been satisfied and the capacity can thus be freed up for use by another party. This will help to provide better financial certainty and therefore reduce risks for Users. This Proposal builds on 0417 by allowing the same rules to apply equally to capacity with is subject to User commitment as that which is not.

It would also allow a DN User to more efficiently manage their capacity bookings across a number of offtakes providing the ability to be more responsive to price signals. Currently bookings can be increased from Oct Y+1 but can't be reduced until Oct Y+2, removing the notice period would provide flexibility to adjust capacity bookings up and down in response to price signals or in response to a more efficient operating strategy. Removing the notice period would allow a User to signal the accurate capacity requirement from Oct Y+1 as the enforced delay may mean that the capacity booking is not an accurate reflection of how a DN User is intending to flow from the NTS. This will also ensure that the costs generated in booking the required level of exit capacity is reflective of the amount of capacity required.

Implementation of this Proposal would allow DNs to respond to their incentives and reduce potential inefficiencies in capacity bookings allowing shared benefits to be passed to customers.

Are there any new or additional issues that you believe should be recorded in the Modification Report

No

Self Governance Statement:

Do you agree with the Modification Panel's decision that this should be a self-governance modification?
Not applicable.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

Standard Special Condition A11.1 (d) "the securing of effective competition between relevant shippers":

The improved cost certainty offered by implementation of this Proposal could potentially remove a barrier to entry and improve competition. Freeing up capacity for use by other parties may improve competition between users. Implementation of this Proposal will also help to ensure that the rules for reducing capacity holdings are consistent for all Users which would remove any potential discrimination concerns.

Standard Special Condition A11.1 (g) "Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators".

In relation to article 16(2) of EC Regulation 715/2009 implementation of this Proposal would allow a quicker User response to a price signal i.e. improving flexibility and potentially assisting to maximise the use of "technical capacity".

Impacts and Costs:

None.

Implementation:

What lead-time would you wish to see prior to this modification being implemented, and why?

Implementation ahead of the July application window would be desirable.

Legal Text:

NGD is satisfied that the text provided meets the requirements of the Modification Proposal.

Is there anything further you wish to be taken into account?

No.

We trust that this information will assist in the compilation of the Final Modification Report.

Please contact me on 01926 653559 (alan.raper@nationalgrid.com) should you require any further information.

Yours sincerely,

Alan Raper
Network Code, Distribution