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Dear David,

Proposed Incentive Arrangements for the Provision of NTS Entry Capacity at Milford Haven

Total Gas & Power Limited (TGP) welcomes the opportunity to comment on the above document.

We have consistently argued that where NGG NTS agree to provide incremental capacity, then the buyback risk, should they fail to deliver that capacity, should remain with themselves. This is on the understanding that NGG NTS have specified the terms under which they would be prepared to offer incremental capacity and it is on this basis that shippers have agreed to make the necessary financial commitment.

We recognise that there could be circumstances that prevent NGG NTS from completing any necessary project work within the timescales agreed to commence the availability of incremental capacity. However, in specifying the terms under which incremental capacity is offered, we would have expected that NGG NTS would already have applied some contingency based on their experience of this type of work. Hence we believe that it must be demonstrated that any mitigating circumstances are truly exceptional before agreeing to reduce NGG NTS's buyback liability.

With regard to the questions you have posed:

Question 1 - TGP believe that there should be new incentive arrangements for the incremental capacity to be provided at Milford Haven.

Question 2 - We generally support the principles identified in paragraph 4.3

Question 3 - NGG NTS's exposure should be deferred but only in the event of truly exceptional factors. For example we would not consider adverse weather conditions to be an exceptional factor.

Question 4 – The advantages of the proposed arrangements are that they increase the exposure that would be faced by NGG NTS should they have to buy back. The disadvantages are that Shippers will still face a very considerable exposure from any buy back costs and that the overall increase in NGG NTS's cap may still fall well short of the actual buy back costs that will be incurred, depending on the circumstances at the time. As such, of the 4 options put forward, our preference would be for Option A with an addition that there should be a further extension of



the Cap for any delay past March 2008.

Question 5 – We understand that there may be difficulties working over the November to February period but do not believe these constitute grounds for deferring the incentive.

Question 6 – see Question 4

Question 7 – As suggested earlier, a further step would be to reduce the share of any buyback liability taken by shippers

Please do not hesitate to contact me in response to any of the above comments.

Yours sincerely

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