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Transmission Price Control  
Review : Initial Proposals

Robert Hull  
Director Transmission  
Office Of Gas and Electricity Markets  
9 Milbank  
London  
SW1P 3GE

Dear Robert,

ExxonMobil International Limited is responding to this consultation on behalf of its gas shipping entity ExxonMobil Gas Marketing Europe Limited.

We wish only to address brief comments against a few of the questions that Ofgem raises in the consultation, as follows.

**Q 11.1:** What do you think of our revised proposals for setting entry capacity release obligation baselines, and for the proposed mechanisms for enable such baselines to be re-allocated in some circumstances ?

*There is a key concern here as to whether a Baseline set below the level of sold capacity rights actually undermines the sanctity of those rights and could inadvertently release NGG from its obligations to provide the capacity. This would not be a good advertisement for GB. There may also be a policy issue for Ofgem; where the Baseline is used also as the trigger level against which approval for new investment are measured the initial Baseline must never below the level of already purchased entry capacity rights if Ofgem is to avoid any risk that NGG might attract additional revenue for the same capacity.*

*Otherwise we are pleased to see that the concept of baselines is retained providing a level of certainty and we support the provision of a mechanism that will allow substitutable capacity to be allocated to the entry point where there is clear demand (at long term auctions) and where such an allocation would help maintain investment at an efficient level. We are not yet fully convinced that Ofgem is proposing the best approach to define baselines and in testing whether there are other alternatives for baseline definition, other substitution allocation mechanisms might also become apparent; it would be better to have more than one choice when considering compatability with the charging methodology that NGG is required to develop in parallel..*

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*We would like to see NGG's proposals for charging fully developed, and to see Ofgem's views on that methodology before commenting further as to the suitability of Ofgem's proposal on baselines and substitution mechanisms.*

**Q 11.2:** Are our proposals for revenue drivers for entry and offtake appropriate and proportionate, given the issues they are seeking to address?

*Ofgem's proposals for entry appear proportionate..*


**Q 11.3:** Are our proposals for buy back for entry and offtake appropriate and proportionate, given the issues they are seeking to address?

*We have already agreed with the separate treatment of constraints that are operational and those that are due to delays in new investment. NGG has a regulatory vehicle through which it can appeal a default lead time of three years on new investment and extend that where appropriate. We would have preferred to see a case by case arrangement for buy backs caused by delayed NGG investment so that proper account of the specific costs to the upstream connecting project can be taken into account. Indeed the one size fits all buy back cap approach does seem at risk of being criticized for being too arbitrary in its derivation or too generous with shippers/consumers money; however, this may not be important provided that Ofgem exposes NGG to a substantial share of such costs over the duration ensuring that the occurrence of such delays will be minimized (and especially when considered alongside the new ability of NGG to appeal investment lead times as well).*

**Question 12.1:** Do you agree with our assessment of the main impacts of the transmission system?

*Broadly we agree with Ofgem's assessment of the main environmental impacts of the transmission system.*

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'I. Trickle', with a stylized flourish underneath.

Ian Trickle