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Robert Hull
Director Transmission
Office of Gas & Electricity Markets
9 Millbank
London
SW1P 3GE

Transmission Price Control
Review: Draft licence
modifications

Dear Robert,

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

We wish only to address brief comments to Question 2.1 of the consultation as follows.

Chapter 2 NGG NTS - Gas Entry

Question 2:1

On the whole ExxonMobil supports Ofgem's proposal to simplify the gas entry conditions and we support the drafting of a new Special Condition C8D which will specify the 6 main components.

We have previously indicated our support for a mechanism which allows capacity to be substituted between constrained and unconstrained entry points. We therefore believe that it is appropriate for NGG NTS to have obligations associated with capacity substitution, capacity transfer facilitation and capacity trade facilitation.

With regard to the capacity release obligation, we agree that baseline entry capacity and obligated incremental entry capacity should be defined in NGG's Transporters licence and that baseline capacities should at a minimum be set so as to reflect the level of firm capacity rights already sold. (To ensure sanctity of capacity rights and to avoid risk of NGG earning revenue twice on the same capacity).

Regarding the incentives on buy-backs, we continue to support the differentiation between operational and incremental buy-back. We believe that the proposed operational buy-back

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incentive which includes a higher cap & lower collar and 50% sharing factors is a fairer allocation of risk between transporter and shippers than the current regime.

With regard to the incremental buy-back proposal we would have preferred a case by case arrangement, with Ofgem as arbiter, to deal with shipper compensation and NGG/shipper cost sharing where NGG NTS have failed to deliver. However, we note that the new proposals allow for bilateral performance incentive arrangements with any revenue accruing to NGG NTS from these being treated as excluded revenue. We would hope that this, along with a greater share of the liabilities, will encourage NGG NTS to ensure such delays are minimized for future new investments, particularly as NGG can now appeal investment lead times and should always be in a position to set realistic delivery targets.

We are disappointed to note however that Ofgem does not appear to be doing anything in relation to clearing auctions under the licence; we would have thought that the matter of whether firm capacity could continue to be sold for nothing, given the increase in TO commodity charges, would have been a significant matter for consideration.

We trust that you will take account of these views and will call us should you need any clarification.

Yours sincerely