

Stuart Cook
Director, Transmission

Office of Gas and Electricity Markets
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London
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Martin Watson
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Manager

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Dear Stuart,

Request to Delay Provision of the Exit Capacity Substitution Methodology Statement and the Exit Capacity Revision Methodology Statement.

National Grid is required, on or before 1st April 2009¹ or such later date as the Authority may otherwise direct in writing, to prepare and submit for approval by the Authority, in accordance with Special Condition C8E of our Gas Transporter Licence in respect of the NTS, the "Licence":

an exit capacity substitution methodology statement, setting out the exit capacity substitution methodology which we shall use to substitute NTS exit capacity (paragraph 4(b)(i)); and

an exit capacity revision methodology statement, setting out the exit capacity revision methodology which we shall use to revise the level of NTS baseline exit capacity or NTS baseline flow flexibility (paragraph 4(c)(i)).

As you are aware, these methodologies apply to the enduring exit period. A decision on the implementation of proposed enduring exit arrangements was expected by 30th November 2008 but, as indicated in your letter to the industry dated 28th November 2008, this was not possible. Consequently National Grid believes that it will not be able to begin engaging in meaningful dialogue with the industry to develop the statements referred to above until the beginning of January 2009 at the earliest.

You will be aware of the on-going discussions in respect of entry capacity substitution and the concerns expressed by Shippers and other parties. National Grid is eager to promote consensus by developing exit substitution proposals in close conjunction with our industry partners and we are concerned that three months may be inadequate to develop, draft, and consult on what may be contentious proposals. In addition, we believe it would be preferable to follow a timetable that allows Ofgem sufficient time to conduct an impact assessment on the final exit substitution proposals if it felt it appropriate to do so. It is difficult to envisage how all of this could be achieved satisfactorily in the current timescales.

Accordingly, National Grid Gas plc requests that the Authority directs (pursuant to paragraphs 4(b)(i) and 4(c)(i) of Special Condition C8E of the Licence) later dates for the preparation and submission of the statements referred to above, so relieving the licensee of the obligations under those paragraphs to submit the above methodology statements for approval by 1st April 2009.

To become effective, paragraphs 3(c)(i) to (iii) of Special Condition C8E require the methodology statements referred to in paragraphs 4(b) and 4(c) to "be in force". Hence any delay, if granted by the Authority, in respect of the obligations under paragraphs 4(b) and 4(c) will also apply to the obligations in paragraph 3(c).

¹ Letter from Robert Hull, Ofgem to Chris Bennett, National Grid dated 29th February 2008.

As you are aware, Special Condition C8E paragraphs 4(b) and 4(c) require National Grid to consult on the proposed methodology statements for a period of not less than 28 days. In the event that our request for the direction of a date later than 1 April 2009 is rejected we would need to commence work promptly in order to satisfy this obligation and meet the 1st April 2009 submission date. In view of this we would appreciate receiving your response to this request as soon as is practicable.

If you have any queries regarding these statements and the request to delay please do not hesitate to contact either me on 01926 655023, or Andrew Fox on 01926 656217.

Yours sincerely

Martin Watson
Gas Access and Charging Development Manager