

Stuart Cook
Director of Transmission
Ofgem
9 Millbank
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25 March 2009

Dear Stuart

Re: 11/09 Review of Entry Capacity Operational Buy-back Incentive and Default Incremental Capacity Lead Time

Thank you for the opportunity to comment on the above proposal. As a major importer of natural gas to the NTS Statoil (UK) Ltd (STUK), have an interest in all changes that have the potential to impact the Entry Capacity regime.

Whilst STUK recognise the need for regulatory certainty and stability (the operational buy-back target was last amended in May 2008 following the baseline review) we believe that it is important that the performance targets placed on National Grid incentivise the correct behaviours and drive the efficient and economic operation of the pipeline system.

The evidence presented in this consultation demonstrates that National Grid has consistently outperformed the operational buyback incentive and as such there is scope for the incentive to be sharpened. As Ofgem included its intention to review this incentive in the TPCR 4 settlement it seems sensible that the opportunity is used to adjust the incentives to better reflect the current situation.

STUK support Ofgems view that the current buyback target level should be reduced from its current target level of £21m to a figure of £12.4m to £13m, to better reflect National Grids consistent outperforming of the incentive and the predicted reduction of buyback costs.

STUK also support Ofgems view on the deferral of the review of the Default Incremental Entry Capacity lead time. The Default Incremental Capacity lead time was increased to 42 months in the TPCR 4 settlement, yet since this time the two signals received by NG for incremental capacity have been given lead times of just 36 months.

STUK agree with Ofgem that this provides little support to National Grids argument for an increase in the default leadtime to 48 months, a change which STUK would not support. Consideration also needs to be given to the implementation of the Planning Act and the development of a single consent regime, the impact of which is not yet known.

STUK trust that our comments will be given due consideration and should you wish to discuss any aspect of this response further please contact me on the above number

Yours Sincerely

Shelley Rouse
UK Regulatory Affairs Advisor
Statoil (UK) Ltd

*Please note that due to electronic transfer this letter has not been signed