



Consumers and their  
representatives, gas  
transporters, gas shippers, gas  
suppliers and other interested  
parties

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*Promoting choice and  
value for all customers*

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Date: 1 July 2009

Dear Colleague

**Informal consultation on National Grid Gas's National Transmission System (NTS)  
Gas Transporter licence condition with respect to Entry Capacity Substitution**

**(Responses requested by 29 July 2009)**

The obligation for National Grid Gas (NGG) to implement NTS entry capacity substitution was introduced as part of the Transmission Price Control Review Final Proposals on 4 December 2006 and is set out in NGG's Gas Transmission Licence<sup>1</sup>. During recent workshops run by the Joint Office of Gas Transporters on National Grid's entry capacity substitution methodology statement, there has been debate about the interpretation of the licence condition which gave effect to the obligation on NGG to implement substitution. This debate has centred on the way that the obligation interacts with other obligations on NGG, such as the requirement to maintain an efficient and economic network.

We do not consider that the existing drafting should have led to confusion, however, we have listened to the views expressed and believe there would be merit in amending NGG's licence to improve the clarity of the Objectives that the licensee is required to achieve that will be assessed by the Authority in reaching its decision on whether to approve or veto an application for substitution.

The proposed changes to the licence text do not fundamentally change the policy aims and objectives of substitution nor its intent, but we consider the new drafting will help to clarify the principles which should be followed when deciding whether to substitute entry capacity or not.

We have also taken the opportunity of bringing the licence into line with other similar conditions, which allow for a longer time period (three months rather than two) for Ofgem to approve or veto a methodology, from the date it is submitted to us, in the event that it is decided to carry out an impact assessment.

The proposed licence changes are shown in Schedule A: the relevant parts of the licence are contained in Special Condition C8D: Part C, sections 8 and 10.

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<sup>1</sup> NGG Gas Transporter licence Special Condition C8D paragraph 10

Ofgem would be interested in receiving comments from interested parties on the proposed changes and any omissions we might have made. We are asking for responses by **Wednesday 29 July 2009**. Any respondent who does not wish their response to be made public should clearly mark the response as not for publication.

If you have any comments or questions on this letter, please contact Bogdan Kowalewicz on +44 20 7901 7293 or [gas.transmissionresponse@ofgem.gov.uk](mailto:gas.transmissionresponse@ofgem.gov.uk) in the first instance.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Stuart Cook', written over a horizontal line.

**Stuart Cook**  
**Director, Transmission**