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Re: Informal consultation on National Grid Gas's National Transmission System (NTS) Gas Transporter licence condition with respect to entry capacity Substitution

Dear Stuart,

National Grid Gas NTS (National Grid) welcomes the opportunity to respond to Ofgem's informal consultation on the proposed Licence changes to clarify the substitution obligation.

We are generally in support of improving the clarity of the substitution obligation and of aligning, with similar Licence conditions, the time period for Ofgem to approve or veto a methodology. However, we have a number of suggested changes to the actual drafting which we believe would remove ambiguity and further improve the consistency of the Licence text.

The most significant and important of which is in relation to 10 c (iii). We believe the currently proposed wording is open to very wide interpretation, which National Grid would find difficult to implement satisfactorily in its current form. We have therefore suggested some revised text for this condition that, in our opinion, more closely aligns to a substitution model based on User Commitment, in accordance with the views expressed by Ofgem in the open letter on substitution (3 July 2009).

This text, together with our other suggested changes which are designed to align the text of this obligation with that used in other parts of the NTS licence, are set out below (revised text in bold):

1) C8D 8(k)(i) suggested revision:

i) the Authority has, within 7 days from the receipt by the Authority of the written application, notified the licensee in writing, on or before that date, to suspend implementation of the proposal because in its opinion the application made pursuant to paragraph 9(f) of this condition requires further consideration to evaluate whether the proposal, and the supporting information, is consistent with the licensee's incremental entry capacity release methodology (established pursuant to Special Condition C15 (Licensee's methodology for determining incremental entry capacity volumes)), and the

licensee's entry capacity substitution methodology (established pursuant to paragraph 10 of this condition), **and the licensee's duties under the Act, and the standard, Standard Special and Special Conditions**; and

2) 10(c) (i) suggested revision:

(i) **ensuring that entry capacity substitution is effected consistently with the licensee's duties under the Act, and the standard, Standard Special and Special Conditions**

3) Delete paragraph 10(c)(ii) as it effectively restates the obligation in 10(c)(i), the obligations not to discriminate being set out in the Act and licence conditions.

4) 10(c)(iii) suggested revision

(iii) ensuring that entry capacity substitution is effected in a manner which seeks to minimise the reasonably expected costs associated with funded incremental obligated entry capacity, **while taking account of the entry capacity that shippers have indicated that they will require in the future by making a financial commitment to the Licensee.**

5) 10 (d)(ii) suggested revision:

(ii) **The date being two months (or three months if the Authority intends to undertake an impact assessment the intention of which the Authority shall notify the licensee in writing within a reasonable time) after the entry capacity substitution methodology statement was submitted to the Authority.**

If you have any queries with regard to our suggested changes please do not hesitate to contact me.

Regards

Martin Watson

Gas Charging and Access Development Manager