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**Informal consultation on National Grid Gas's National Transmission System (NTS) Gas Transporter licence condition with respect to Entry Capacity Substitution  
July 2009**

Dear Stuart,

We welcome the opportunity to comment on this informal consultation. This response is provided on behalf of the RWE group of companies, including RWE Npower plc and RWE Supply and Trading GmbH.

In our view, the proposed changes to the licence text do help to clarify the principles that underpin the licence condition which gives effect to the obligation on National Grid Gas (NGG) to implement substitution. During the development of the entry capacity substitution methodology statement and the various options to meet the substitution obligation, there has been a lack of clarity around the way that the obligation interacts with other statutory duties and licence obligations on NGG. In particular, the requirement to maintain an efficient and economic network has led to divergent views about the extent of any exchange rate caps or other limits that might be applied to the volume of capacity available for substitution. The proposed drafting will help NGG develop its methodology statement and provide shippers with a better understanding of the circumstances where entry capacity may be substituted.

In terms of the proposed drafting itself, we wonder how the amended clause 10 c (iii) will be interpreted in practice, given Ofgem's recent open letter<sup>1</sup> setting out its view that a "mechanical" approach for protecting capacity at an ASEP would be an inappropriate model for the substitution regime.

We also agree that it is appropriate to make the proposed change to allow for a longer time period for Ofgem to approve or veto a methodology where it is decided to carry out an impact assessment.

We hope these views are helpful and would be happy to discuss them further.

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<sup>1</sup> Development of a methodology to implement National Transmission System (NTS) Entry Capacity Substitution, 3<sup>rd</sup> July 2009

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Yours sincerely,

By email so unsigned

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