

Bogdan Kowalewicz
The Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3 GE

December 1st 2009

Consultation on the Gas Entry Capacity Substitution Methodology Impact Assessment

Dear Bogdan,

Total E&P UK Ltd. (Total) welcomes the opportunity to respond to the above mentioned document issued by Ofgem for consultation on November 4th 2009.

Total has actively participated along side Ofgem, National Grid and other industry players in the various workshops organized to discuss the implementation of Substitution since National Grid's Licence change in 2007. During the extensive discussions in 2007, 2008 and 2009 we expressed our support for the principle of a transmission system which is appropriate to demand for entry capacity and which is run in a cost efficient manner. Still we believe that moving capacity away from an entry point may lead to capacity destruction and could potentially be costly to consumers, hence substitution should only be allowed after taking into consideration future expected demand for entry capacity. We also highlighted that the impact on gas prices and security of supply resulting from a tighter National Transmission System had to be an essential element of any Impact Assessment on Substitution.

We are surprised and disappointed to find that Ofgem has avoided considering these issues in the document published. Ofgem's document recognizes that "this is a real concern" but provides no analysis of the issue because "we have not been shown any quantitative evidence". The industry has been intimately engaged in three years of discussion on this Ofgem proposal, and whilst we are keen to provide comments and views we can not be expected to do the core work of assessing the overall impact of such policies, not least because of the technical difficulty and amount of data involved. It is in Ofgem's interest, as the regulator and the originator of such policies to assess the impact of these on gas flows to the UK and wholesale prices. We believe this is a natural consequence arising from its objectives: to protect consumers and help secure Britain's energy supplies. Even if industry participants attempted this type of work, it would mean tremendous work duplication and this unnecessary costs would eventually be passed on to consumers.

As a conclusion, we would like to highlight that Ofgem's disregard for the industry's favoured approach (Mechanical) and its reluctance to tackle concerns raised by many of the shippers involved in the lengthy discussions, may slowly lead to the disengagement of the industry from the whole consultation process. This is directly opposite to Ofgem's intention to have more and improved stakeholder engagement as mentioned in the 2009



Transporting Britain's Energy presentation by Steve Smith, and in the recently launched Project Discovery.

Yours Sincerely,

Iain McCombie
Commercial Operations Manager
Total Exploration & Production UK Ltd.

(This letter is sent electronically and therefore not signed)

