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*Promoting choice and value for
all gas and electricity customers*

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Dear Steve

Modification Proposal to the Gas Transmission Transportation Charging Methodology, NTS GCM19R: Removal of NTS Daily Entry Capacity Reserve Price Discounts

Summary

This letter states the Authority's intention to conduct an impact assessment on the proposed modification to the charging methodology (GCM19, 'Removal of NTS Daily Entry Capacity Reserve Price Discounts'). We expect the Uniform Network Code (UNC) Panel to make its recommendation on two modification proposals to the UNC (UNC284, 'Removal of the Zero Auction Reserve Price for Within-day Daily NTS Entry Capacity (WDDSEC)' and UNC285, 'Use it or lose it' (UIOLI) Interruptible Capacity only to be released when there is at most 10% unsold firm entry capacity') at the meeting on 20 May 2010. After this we expect these two UNC modification proposals to be submitted to the Authority for decision, in which case, the Authority would also consider these as part of the impact assessment.

Background

Paragraph 2 of Standard Special Condition A5 of NGG's gas transporter licence for the National Transmission System (NTS) states that NGG can only make a modification to the charging methodology when it has:

- consulted on the proposed modifications for at least 28 days and
- furnished a report to the Authority setting out (i) the original proposed modifications (ii) the consultation responses, and (iii) changes to the proposed modification as a result of the consultation responses

This is subject to the provision that the Authority has not vetoed the modification proposals being made within 28 days of receipt of the report, or within three months where the Authority decides to undertake an impact assessment.

On 30 April 2010 National Grid Gas (NGG) submitted its 'Conclusions Report to the Authority: Modification Proposals to the Gas Transmission Transportation Charging Methodology NTS GCM19R Removal of NTS Daily Entry capacity reserve Price Discounts'. This follows a review of NTS entry charge setting arrangements (the "Review").

There are two related UNC modification proposals which have also come out of the Review which are currently under development; these are UNC284 and UNC285. It is intended that these are presented to the UNC Modification Panel for recommendation on 20 May 2010. After this we expect them to be submitted to the Authority for its decision on whether to implement them or not.

Ofgem view

Throughout the Review, Ofgem has indicated its intention to conduct an impact assessment on the major proposals coming out of the review. The first major proposal to come from the review, GCM19, has now come to the Authority for decision. We therefore confirm that we will conduct an impact assessment on the modification proposal GCM19. As such, the Authority has three months from the date of submission of the report (i.e. until 30 July 2010) to use its power to veto the proposal to modify the charging methodology.

As UNC284 and UNC285 also came from the same review of the NTS entry charge setting arrangements as GCM19, and are expected to be with the Authority in May, then Ofgem also intends to assess these UNC modification proposals as part of the impact assessment, subject to them being submitted to the Authority for decision in an appropriate timeframe.

Yours sincerely,

Mark Cox
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