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**Re: Date of submission of the Incremental Entry Capacity Release (IECR)  
methodology statement: initial consultation.**

Dear Stuart,

National Grid Gas plc (“National Grid”) in its role as holder of the Gas Transporter Licence in respect of the NTS (“the Licence”) welcomes the opportunity to respond to Ofgem’s initial consultation on the proposed change to the Licence. The proposed change will align the submission of the IECR methodology statement to the revised date<sup>1</sup> for the annual Quarterly System Entry Capacity (“QSEC”) auction.

National Grid supports the proposed Licence change and agrees with Ofgem’s assertion that this is a common sense proposal. Changing the “submission before” date enables National Grid to review and update the IECR closer to the QSEC auction. This will ensure that it is as up-to-date as possible at the time when it is most likely to be applied. An added benefit of the change is that additional time will be available for Ofgem to review National Grid’s proposed methodology before approval or veto is required.

Whilst supporting the proposal we do have a few further comments in respect of the extent of, and timing of, the proposed change.

- a) As noted by Ofgem, the IECR methodology statement must be accompanied by an audit report. Although the Authority may give consent for the audit requirement not to apply, National Grid believes that the opportunity could have been taken to align the audit obligation with the similar obligation in Special Condition C18 of the Licence whereby an audit (for the Exit Capacity Release methodology statement) is triggered at the Direction of the Authority.

We believe that it is sensible for the two conditions to have, where practical, consistent requirements. Further, following a number of successful audits, our view is that it would now be more efficient if the default position was for an audit by exception, i.e. when directed.

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<sup>1</sup> Revised by implementation of UNC modification proposal 230AV.

- b) When determining a suitable submission date for the IECR methodology statement National Grid was conscious of the limited time available under current arrangements for the Authority to consider our proposals. We believe that additional time could be made available to both Ofgem and National Grid if the Licence was amended to allow the audit report to be submitted after the IECR methodology statement.

For example, the IECR methodology statement could be submitted before 1<sup>st</sup> November with the audit report submitted before 15<sup>th</sup> November. As the start date for the audit is constrained by the availability of data for the charging model, this decoupling of the audit report from the IECR methodology statement would, in addition to giving the Authority more time to consider the proposed methodology statement, give National Grid's auditors more time to undertake the audit.

- c) It should be noted that a submission date of 7<sup>th</sup> November would normally facilitate two months for Ofgem consideration of the proposals. This assumes that the QSEC auction will continue to be held commencing in the middle of the month. However, UNC allows the QSEC auction to open on 1<sup>st</sup> March. Should it prove necessary or efficient for National Grid to commence the auction on 1<sup>st</sup> March then a decision from the Authority on the IECR methodology statement would be needed before 1<sup>st</sup> January. However, this would still leave the Authority with greater time than under the current situation.
- d) We notice that it is expected that this initial consultation will be followed by a Notice under section 23 of the Gas Act 1986 at the start of May 2010. This would result in the proposed Licence changes being implemented some time in June, i.e. before the 1<sup>st</sup> July deadline stated in the current Licence drafting. In order to comply with the Licence as currently drafted National Grid would need to commence the audit and industry consultation on the IECR methodology statement in mid-May, with internal preparatory work starting early in April. We believe that to commence such work whilst the proposed Licence change is being progressed would be inefficient. Hence, in anticipation of the Licence being changed as proposed, National Grid is undertaking neither a review of the IECR methodology statement nor an audit prior to 1<sup>st</sup> July 2010. In the event that the Licence change does not proceed as expected we would anticipate positive discussions regarding a delay to the submission for this year.

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

Regards

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Gas Charging and Access Development