

Mr Julian Majdanski

Joint Office of Gas Transporters  
Ground Floor Red  
51 Homer Road  
Solihull  
B91 3QJ

Natasha Ranatunga  
Gas Access Analyst

natasha.ranatunga@uk.ngrid.com  
Direct tel +44 (0)1926 654132  
Direct fax +44 (0)1926 653122

[www.nationalgrid.com](http://www.nationalgrid.com)

09 June 2008

## **UNC Modification Proposal 0216 and 0216a**

### **Introduction of an Additional Discretionary Release Mechanism for NTS Entry Capacity and Introduction of Additional Pay-as-Bid Auctions for NTS Entry Capacity**

Dear Julian,

Thank you for your invitation seeking representations with respect to the above Modification Proposals.

#### **Summary**

As Proposer, National Grid NTS supports implementation of Modification Proposal 0216. National Grid NTS also supports the implementation of Modification Proposal 0216a. However National Grid NTS believes that Modification Proposal 0216 better addresses the concerns and issues raised by industry participants in November 2007 and again in subsequent discussions in spring 2008. Whilst National Grid NTS believes that Modification Proposal 0216a also meets the Relevant Objectives as set out in National Grid NTS' Gas Transporter Licence, it also places undue restrictions on how National Grid NTS can offer Non Obligated NTS Entry Capacity to the market.

Modification Proposal 0216 addresses a number of the requests made by Users for:

- A "firmer" product that is released a period, e.g. several weeks, in advance of the gas day and for a duration less than a month but greater than a day;
- A product that is flexible and can be tailored to Shippers' needs;
- A product that maximises release of Non Obligated NTS Entry Capacity;
- A sub-monthly product that complements the proposed enduring Trade and Transfer auctions;
- A product that provides National Grid NTS with an appropriate risk / reward balance.

National Grid NTS has a strong preference for Modification Proposal 0216 for the following reasons:

- *Additional Flexibility* - Modification Proposal 0216 provides National Grid NTS with the flexibility to respond to a variety of scenarios and cater for a wider spectrum of market

participants' needs. 0216 also enables National Grid NTS to facilitate both long term (monthly) and short term (daily / weekly) requests for Non Obligated NTS Entry Capacity. This may either be a release of Non Obligated NTS Entry Capacity or a release of Non Obligated NTS Entry Capacity with an associated Entry Capacity Buy-Back. National Grid NTS will be able to respond to either a demand it sees from the market or from direct customer requests.

Modification Proposal 0216a states that no less than 1 month strips of NTS Entry Capacity can be made available and that the notice period must be a minimum of 28 days, this will prevent National Grid NTS from making Non Obligated NTS Entry Capacity available to those Users who require strips of NTS Entry Capacity for less than 1 month but for greater than 1 day. National Grid NTS recognises that whilst a 28 day invitation is required for the AMSEC auction it is not required for all monthly auctions as illustrated by the 7 day invitation period applied to the RMSEC auction. There is no reason why this should not also apply to the proposed release of Non Obligated NTS Entry Capacity. It should be noted that whilst 0216 states that there will be a minimum 7 day invitation period, it does not preclude there being a longer invitation period if that is required.

In addition 0216 would allow National Grid NTS to respond to a situation where Non Obligated NTS Entry Capacity is required for a period greater than 1 day but less than 1 month without Ofgem intervention or the raising of an urgent UNC modification. National Grid NTS believes that this is particularly desirable, in terms of market certainty, for all stakeholders.

- *Security of Supply* - Modification Proposal 0216 will facilitate a shorter term (daily / period of days) release of Non Obligated NTS Entry Capacity and it will provide Users with the opportunity to respond to market signals. For some Users this removes a barrier to entry and thus may increase available gas supplies to the UK market. From discussions with Shippers this facility is particularly important for attracting LNG cargoes, which may become available at short notice in response to price signals. In the opinion of National Grid NTS, by providing the market with sufficient opportunity to acquire Non Obligated NTS Entry Capacity in both the long and short term this will enhance the UK's security of supply.

National Grid NTS is aware of some User concerns with regards to timing and transparency; however National Grid NTS believes that 0216 represents a fair balance between Shipper needs, in terms of protecting commercial confidentiality whilst providing the market with sufficient time and information to react. However, in order to address concerns raised by Users National Grid NTS has offered to:

- undertake a review of each capacity release that is undertaken through this process
- undertake an annual review of the overall process

National Grid NTS believes that such a review process is a more appropriate means of dealing with these issues rather than the introduction of a sunset clause into the UNC.

### **Rationale**

National Grid NTS believes that both of these Proposals would, if implemented, better facilitate the following Relevant Objectives as set out in its Gas Transporters Licence:

**Special Condition A11.1 (a): *the efficient and economic operation of the pipe-line system to which this licence relates;***

In respect of Standard Special Condition A11 paragraph 1(a), Proposals 0216 and 0216a would provide additional flexibility in the NTS Entry Capacity release arrangements to allow National Grid NTS to release additional NTS Entry Capacity. This should result in the release of additional capacity to the market and the avoidance of gas being stranded offshore, and thereby better facilitate the achievement of this objective.

**Special Condition A11.1 (d): *so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition: (i) between relevant Shippers;***

In respect of Standard Special Condition A11 paragraph 1(d), Proposals 0216 and 0216a would promote the securing of effective competition between relevant Shippers by use of a market test mechanism for the allocation of additional NTS Entry Capacity.

If you have any questions please do not hesitate to contact myself or Fergus Healy.

Kind Regards

Natasha Ranatunga  
Gas Access Analyst