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Urgent Modification Proposal 0138 - Transitional Arrangements for Entry Capacity Transfers to Sold Out ASEPs

Dear Julian,

RWE Npower Plc and RWE Trading GmbH do not support the above urgent modification proposal.

Whilst we recognise that the modification has been raised to give effect to a licence obligation National Grid are expected to be subject to once the licence amendments relating to their new Transmission Price Control become effective, we do not share the proposer's view on the urgency associated with implementing transfer arrangements for sold capacity.

Nor are we yet convinced of the merit in undertaking transfers of capacity that has already been sold prior to conducting auctions that would allow any unsold capacity to be transferred to sold out ASEPs first, as this might lead to perverse or speculative bidding activities in the AMSEC auctions.

The significance attached to the sold and unsold entry capacity transfer mechanisms currently being developed has been heightened by Ofgem's unexpected decision to significantly reduce the aggregate (and in some cases the individual ASEP) level of baseline entry capacity that will apply for the next 5 years. However, despite our concerns about this decision we believe that introducing new entry capacity transfer mechanisms with undue haste would be counter-productive. In our opinion it is important that all parties have a clear understanding of how such mechanisms will apply from both a commercial and operational basis, along with a greater understanding of the technical capability for transferring entry capacity between ASEPs, before such mechanisms are introduced. We would therefore wish to see details of the licence drafting and further development of the UNC legal text, Entry Capacity Transfer Methodology Statement and Gemini system solutions over the next few months before either a sold or unsold transfer mechanism comes into effect.

Yours sincerely,

Steve Rose
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