

**Statoil (U.K.) Limited
Gas Division**

Statoil House
11a Regent Street
London SW1Y 4ST

Switchboard: 020 7410 6000

Central Fax: 020 7410 6100

Website: www.statoil.co.uk

Email: christiane.sykes@statoil.com

Direct Line: 020 7410 6173

Direct Fax: 020 7410 6107

Mr. Julian Majdanski
Joint Office of Gas Transporters
Ground Floor Red
51 Homer Road
Solihull
West Midlands
B91 3QJ
enquiries@gasgovernance.com

12 April 2007

Dear Julian

Re: Modification Proposal 0138 Transitional Arrangements for Entry Capacity Transfers to Sold Out ASEPs

Statoil UK (STUK) does not support this modification proposal. Our primary concern, with respect to this proposal, is the uncertainty which it is likely to create within the UK entry regime.

This uncertainty would likely be caused though potentially creating perverse bidding behaviour in the AMSEC auctions, which would then be exacerbated through the proposed sold capacity transfer process and then further, by the proposed AMTSEC auction. During this process, it would be unclear to Users what capacity is physically available at an ASEP at any given time. Such a degree of uncertainty acts as a barrier to entry and, therefore, undermines the relevant licence objective SSC A11.1 (d) the securing of effective competition (i) between relevant shippers and (ii) between relevant suppliers.

This proposal is further subject to uncertainty as key aspects of the proposal are not dealt with, within the proposal itself, such as the calculation of transfer rates and the determination of the application fee, but are subject to National Grid Gas NTS revising their Transportation Charging Statement, and to the production of an 'Entry Capacity Transfer Methodology Statement'. It is, therefore, difficult for Users to fully understand the potential impact of this proposal, in such compressed timescales.

STUK would welcome further work in this area to better understand the impact of any proposed changes and also how they might interact with other changes proposed in the



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entry regime, to enable market participants to fully understand all the associated implications.

Please do not hesitate to contact me if you wish to discuss any of the above.

Yours sincerely,

Christiane Sykes*
UK Regulatory Affairs Manager
Statoil (UK) Ltd

* Due to electronic transfer this letter has not been signed



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