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Your Reference [Mod 0169 & 0169A]

Re: Modification Proposal 0169 & 0169A: 'Transfer and Trading of Capacity between ASEPs'

Dear Julian,

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

Concerns have been expressed by National Grid Gas plc (Distribution) "UKD" in its representations to the predecessors of these proposals. Most of these remain and can be summarised as follows:

- The potential of these proposals to undermine the primary auctions, particularly the prices gained and the investment signals provided;
- The increased risks for participants caused by additional complexity.

However in recognition of the requirement to facilitate a transfer and trades process ahead of this winter, UKD would like to offer support for 0169 but is unable to support 0169A.

0169 – This proposal appears to retain the option of implementing the principles contained in 0156A and UKD agrees that it would be inappropriate for proposal 0156A to become incapable if being implemented due to time constraints. We also believe that it would be appropriate to include scope within the legal text (requested by Ofgem) for adjustments to be made based on date of implementation.

0169A – UKD recognises the efforts made by the proposer to provide greater clarity in this proposal and it has eased some of the initial concerns surrounding 0163. It is now possible to see how it could be implemented. UKD is not however swayed by the arguments in relation to better facilitation of the relevant objectives. In particular SSSA 11.1(d) because by initially only allowing the capacity to be offered at the "donor" ASEP and at a starting price based on the previous auctions, a true market value may not be achieved due to the restricted competition.

Yours sincerely

Phil Lawton
Distribution Regulation Manager