

Macquarie Bank Limited

Level 30
CityPoint
1 Ropemaker Street
London EC2Y 9HD
UNITED KINGDOM

Telephone 44 20 7065 2000
Facsimile 44 20 7065 2570
Internet <http://www.macquarie.com/eu>
Telex 916962

Mr. Julian Majdanski
UNC Panel Secretary
Joint Office of Gas Transporters
1st Floor South
31 Homer Road
Solihull
West Midlands
B91 3LT



4 April 2008

Dear Julian,

Re: Modification Proposals 0195/0195A: “Introduction of Enduring NTS Exit Capacity Arrangements”

Thank you for the opportunity for commenting on the above proposals. Macquarie Bank Limited (MBL) believes that both Modification Proposals 0195 and 0195A could better facilitate the applicable relevant objectives and therefore supports both proposals. MBL believes the E.ON UK variant 195a proposal offer the best solution as it offers the greatest release of capacity through the offering of spare NTS exit capacity.

As it has been requested that preferences and rankings are sought in respect of the 195 proposals and the 116 proposals, MBL offers the following preference ranking (highest to lowest): 116a, 195a and 195. For the avoidance of doubt MBL does not support any of the 116 proposals other than 116a.

Of the two 195 proposals MBL agree with EON UK that 195a best deals with the concerns of the Competition Commission in relation to “the use of the network on days where there is spare capacity on the NTS” and that “this is contingent on release of interruptible capacity”. MBL also agree with EON UK that 195a also meets the objectives of the European Transmission Access Regulation 1775 that requires long-term interruptible services are offered for period of at least 1 year.

In particular MBL believe Proposal 195A in comparison to 195 will more adequately meet the needs of storage and interconnector offtakes as these sites are much more likely to be delivering into the system rather than offtaking on peak days. Indeed this pattern of flow may in fact be releasing spare capacity. Charging such users high NTS Exit Capacity charges under such circumstance would seem to be an incorrect market signal given the different impact they have on the system compared to other off-takes.

MBL believes it is important that a long-term solution is implemented to ensure there is certainty for all industry participants. MBL believe that the proposals 116a, 195a and 195 offer solutions that will be acceptable to all participants and are therefore less likely to lead to challenge from affected parties. This certainty will reduce risk for parties wishing to build

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Head Office: No. 1 Martin Place, Sydney, New South Wales, Australia.

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infrastructure and aid in various investment decisions which are impacted by the cost of access to the NTS.

While proposal 195a appears to offer the best fit between meeting the objective of providing a more flexible capacity product with user commitment and the requirements of users to have access to off-peak capacity MBL have a preference for 116a which leaves the current regime in place.

I trust these comments are helpful, if you have any queries regarding this response please contact me on 020 3037 4655.

Yours sincerely,

Gareth Roberts
Senior Gas Operator – Energy Markets Division

*please note as this letter has been delivered electronically a signature will not be attached