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Re: UNC Modification Proposals 0230 and 0230A – Amendment to the QSEC and AMSEC Auction Timetables

Dear John

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

Summary

As proposer, National Grid NTS supports implementation of proposal 0230. National Grid NTS supports the principles underpinning proposal 0230A and recognises that it attempts to address Shipper concerns around the timing of QSEC auctions. However National Grid NTS believes that proposal 0230A cannot be implemented as it is currently designed.

Rationale

National Grid NTS considers that Modification Proposals 0230 and 0230A would:

- Utilise the final summer build period prior to delivery of Incremental NTS Entry Capacity for construction activities, aiding the timely delivery of that capacity. This benefits consumers as the risk of gas being stranded offshore is reduced, as is the risk of investment related buybacks and the associated costs being smeared across shippers.
- Result in Incremental NTS Entry Capacity being released from the start of the winter period, when flows increase.
- Ensure that the QSEC and AMSEC auction processes do not overlap by moving the AMSEC auction to June (although an overlap does occur until June 2010 under proposal 0230A).
- Ensure that the capacity made available in both the AMSEC and QSEC auctions is released from 1 October by changing the definition of Capacity Year to 1 October - 30 September.

In addition, National Grid NTS considers that Modification Proposal 0230 would:

- Allow for a timely transition to the new regime, providing for significant issues currently being debated by industry (such as Review Group 221, Substitution) to be resolved prior to the next QSEC auction being held.

As stated above, National Grid NTS supports the principles underlying proposal 0230A, i.e. that it facilitates moving the QSEC auction to March and so achieves the associated benefits. National Grid

NTS also recognises that by maintaining the current auction timetable until March 2010, it mitigates Shipper concerns around there being no QSEC auction in 2009, as proposed in Modification Proposal 0230. However National Grid NTS does not believe that the proposal can be implemented as currently worded:

- It is proposed that modification 0230A be implemented on 1 March 2010 in order to facilitate a March 2010 QSEC auction. UNC section B2.2.1(d) requires that National Grid NTS issue an invitation letter 28 days before the QSEC auction. National Grid NTS would not have the authority under the UNC to issue an invite 28 days before a March auction if proposal 0230A were not implemented until March 1st.
- UNC section B2.2.3(b) requires National Grid NTS, when issuing an invitation letter for the QSEC auction, to include in that letter the amount of unsold capacity available that will be offered in that auction. National Grid NTS would not be able to do this 28 days before the proposed March 2010 QSEC as the proposed February 2009 AMSEC auction would not have concluded and therefore the unsold amount would be unknown as the transaction periods overlap (October 2011 – March 2012).

Extent to which implementation of Modification Proposals 0230 and 0230A would better facilitate the achievement (for the purposes of each Transporter's Licence) of the relevant objectives

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

- In respect of Standard Special Condition A11 1(a), the efficient and economic operation of the pipe-line system, the proposal would enable utilisation of the final summer build period prior to delivery of Incremental NTS Entry Capacity for construction activities ensuring the timely delivery of that capacity, which reduces the risk of gas being stranded offshore and the risk of investment related buybacks.
- In respect of Standard Special Condition A11 1(d), the securing of effective competition, the avoidance of gas being stranded offshore would promote competition between Shipper Users.

If you have any questions, please do not hesitate to contact me

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