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17th March, 2009.

Your Reference: Modification Proposal 0243.

Re: Modification Proposal 0243: 'Amendments to the process for initialisation of Enduring NTS (Flat) Capacity at the Moffat NTS Exit Point'.

Dear John,

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

National Grid Gas plc (Distribution) (NGD) would like to offer qualified support for this proposal, which would defer initialisation for the Moffat exit point. The concept of a "no later than" end date to the deferral provides all exit regime participants with some certainty that the issues that this proposal seeks to mitigate would be addressed by this date, or that there would be a return to the status quo. Earlier consideration of this issue would have been useful for all interested parties but in light where we are in the process, a deferral of the initialisation process at Moffat would at least allow time to consider the interplay between the two regulated pipeline systems. To adversely impact this relationship would not be a desirable effect of Enduring NTS Exit Reform i.e. a degree of compatibility between the relative use of and requirement for capacity, on either side of the inter-connector, is important and requires an element of development in parallel to achieve an optimum outcome for consumers.

The qualified nature of NGD's support arises from questions that arise in relation to the construction of the legal text and not with the principles of the proposal. In name and nature the proposal relates specifically to Moffat but NGD is unclear about whether this would have implications for other NTS exit points and whether they would be/should be named in the legal text. It would appear to be late in the process to make a change that that would impact other parties that may not wish to be subject to this deferral. NGD notes that the proposal states ... "it would apply elsewhere in a non-discriminatory manner if there were other exit points with the same characteristics". The Proposal later states that "it is strictly localised to the Moffat Exit Point....".

NGD does not believe that this poses significant administrative issues, on the basis of the statement made in the proposal that explains that the aggregate amount of initial enduring capacity to be registered in line with the proposal would not exceed the aggregate amount National Grid NTS would have registered and notified to NTS shippers by 1 May 2009 in the absence of deferral. The Proposal states that "if initialisation via capacity certification for some reason does not take place, then the default initialised quantities will be those that would have been obtained under the Modification 0195AV rules in the absence of this Modification Proposal". The Proposal also states that annual capacity application process would not be affected but that the application process for incremental capacity would have to be deferred.

In relation to the better facilitation of the relevant objectives NGD believes that specifically SSC A11.1 (d) (i) the promotion of competition between shippers at the Moffat NTS Exit Point would be better served by the implementation of this deferral. It is important however to ensure that an enduring solution is implemented at the

earliest opportunity following due consideration of the impact upon competition and the efficient management of the system at this exit point.

Please contact Alison Chamberlain on 01926 653994 (alison.chamberlain@uk.ngrid.com) should you require any further information with respect to the above.

Yours sincerely

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