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6 May 2009

John Bradley
The Joint Office of Gas Transporters
First Floor South
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Solihull
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Code Modifications 0246,0246A
& 0246B; Quarterly NTS Entry
Capacity User Commitment

Dear John,

ExxonMobil Gas Marketing Europe Ltd (EMGME) welcomes the opportunity to respond to Modification Proposals 0246, 0246A and 0246B which have been raised to address a weakness in the current provisions for providing credit cover when securing NTS entry capacity through the QSEC capacity auctions.

All of the alternate Proposals 0246, 0246A and 0246B seek to address the issue of Users being able to defer the provision of appropriate credit arrangements and we support the view that this position is untenable, and think that the proposed changes to UNC TPD Section B 2.2.16 should rectify the situation. It is appropriate that Users should continue to be treated as holding the capacity, as Code default/ termination provisions provides some incentive for Users to secure their commitments and pay invoices whilst allowing NGG to pursue maximum recovery of any monies owed.

However of the three alternatives we firmly support BGT's Proposal 0246B substantially for the same reasons presented by them. Specifically 0246B reduces the risk of speculative bids at future entry auctions, whilst also avoiding unduly penalizing Users who have already purchased entry capacity on known commercial conditions (including security) at prior auctions and does so without risk of legitimizing the actions of Users who renege on previous auction commitments.

In terms of the level of security to be provided, we support the Entry Capacity Risk Assessment in Mod 0246B, and regarding appropriate security tools, we agree that retaining the current range of tools to match the security requirement to the risk posed is accepted business practice, and is the most efficient. However we see no valid reason to limit

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acceptable security to Letters of Credit or Deposit Deeds as argued by NGG. We certainly do not accept NGG's apparent argument that the need for such inefficiency is driven by the regulatory test of no undue discrimination.

In summary, of the three modification proposals 0246, 0246A & 0246B we believe that 0246B is the only one that consistently meets the relevant objectives of operating an efficient and economic pipeline.

We would make two further comments:

We agree with the view expressed in Proposals 0246A and 0246B that the current situation relating to deferred capacity, which has arisen due to a Code anomaly, cannot be rectified by a Code modification alone and is best dealt with through a change to National Grid's transporter licence to prevent the collection of auction revenues from capacity that has not been provided, and we hope that Ofgem is reviewing this.

NGG's proposal 0246 was unnecessarily complex, unfair and oddly (through the Cancellation Fee provision) appeared to us to create the possibility (whether or not intended) of an increased risk of smeared costs for Users and increased revenue for NGG.

We trust that these views are helpful and if you have any questions regarding this response, please don't hesitate to contact me.

Yours sincerely

Joy Chadwick