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UNC Modification Proposal 0163

Offering capacity at Donor ASEP in Trades & Transfer Process

Dear Julian,

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

National Grid NTS is against the implementation of Modification Proposal 0163 as the Modification Proposal is not fully developed. We would welcome a variant Proposal being raised to clarify the issues that were discussed at the Transmission Workstream on the 2 August 07. The comments below provide our views on the Proposal.

As Mod 0163 is contingent on Mod 0156A provisions, we have judged the merits of Mod 0163 against Mod 0156A, which National Grid supported.

The key difference between the two proposals appears to be the ability of Users to be able to acquire "surrendered" capacity at an ASEP at a price below that which other Users at different ASEPs might be willing to pay. The reason put forward for this approach appears to be that only "sterilised" capacity should be moved between entry points, rather than capacity that is still required at the original entry point. An assessment of the merits of the proposal against the Relevant Objectives is given below:

Extent to which implementation of Modification Proposal 0163 would better facilitate the achievement (for the purposes of each Transporter's Licence) of the Relevant Objectives

- in respect of Standard Special Condition A11 paragraph 1(c) (the efficient discharge of the Licencee's obligations under this licence), the Proposal is anticipated to meet new Licence Obligations on National Grid NTS to facilitate the transfer and trade of Capacity between ASEP's

in the constrained period. Our understanding of the policy objective of Trades and Transfers was that these mechanisms should provide a means to move “sterilised” capacity from one entry point where it was not required to another entry point where it was required. Therefore the proposal would seem to better meet this objective, as it would appear that the surrendered capacity is not “sterilised” as there would potentially be Users who required the capacity at the original ASEP. However this could equally apply to currently unsold capacity, particularly at entry points where there is a mixture of unsold and surrendered capacity.

- In respect of Standard Special Condition A11 paragraph 1(d), the Proposal would not better promote the securing of effective competition between relevant Shippers as the proposal does not allow all Users to bid on an equal basis for the capacity. In addition the “surrendered” capacity could be bought by Users to ensure that it is not transferred or traded to another entry point.

Based on the above, National Grid NTS can see merits in the Proposal, however on balance and due to the fact that the Proposal is not fully developed, we cannot support its implementation.

Regards

Martin Watson
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