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20 November 2006

Dear Julian,

Re: Modification Proposal 0120: “Introduction of an SO Commodity Charge for NTS Storage Exit Flows”

The Association of Electricity Producers welcomes the opportunity to provide comments on this Modification Proposal. We provide qualified support for this proposal.

The Association supports this proposal to the extent that the introduction of a SO commodity charge may finally allow the intent of PC 73 to be introduced. This has been an outstanding issue for a number of years. However this proposal also contemplates the application of different commodity rates for gas exiting the system for storage and gas that leaves the system for all other purposes. This is currently the subject of a charging methodology consultation, and we will provide more comments in that response. However it would appear that this could be discriminatory.

Extent to which implementation of the proposed modification would better facilitate the relevant objectives

National Grid argues that implementation of this proposal will further the efficient discharge of its licence obligations by avoiding an inconsistency with the Gas Transmission Charging Methodology. It does not explain which of its licence obligations this is consistent with. We consider that this proposal does not further the relevant objective 1 (c), the efficient discharge of the licensee’s obligations, as it provides for different treatment in terms of charges at offtake points and this could be considered discriminatory.

NG has licence and Gas Act obligations to avoid any undue discrimination in its transportation business. It is open to interpretation whether this means that the terms offered for transportation services must be the same or whether it is the consequences in terms of impact on competition that are important in determining whether different treatment is unduly discriminatory or not.

The latter definition is that adopted by Ofcom¹. Ofgem's view however is the former, that the same services should apply at all offtakes points otherwise the arrangements could be considered discriminatory. This is the approach adopted by Ofgem in the development of the enduring offtake arrangements. Therefore if Ofgem is consistent in its interpretation then we do not see how Ofgem could approve this proposal in its current form as it could clearly lead to different charges being levied at different offtakes, for the same service (transportation from the NBP to an offtake point) which would be discriminatory.

Yours sincerely

Julie Cox
Head of Gas Trading
Association of Electricity Producers

¹ <http://www.ofcom.org.uk/consult/condocs/undsmp/>