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Re: Urgent Modification Proposal 0150 & 150A: “Transitional Arrangements for Entry Capacity Transfers to Sold-Out ASEPs”.

Dear Julian,

Thank you for your invitation seeking representations with respect to the above Modification Proposals. National Grid (Distribution) (“UKD”) supports implementation of Proposal 0150 in principle, but has some significant concerns regarding the speed of development, implementation and the consequences that the movement of entry capability could have on the gas supply market.

We understand NTS’s duty to comply with its proposed new licence conditions, due to come into effect in July, and we understand the impetus to resolve any potential issues ahead of the winter, however we feel that a such a fundamental change as this should be developed and considered over a period of time, especially as the proposal is to place an additional layer of complexity in an area that already has some of the most complex commercial arrangements in the UNC.

We understand the potential problem of gas being restricted from entry at particular terminals and how the transfer of capacity could be used to resolve the problem. It is of paramount importance that these new arrangements resolve the perceived problem and provide capacity for this gas to enter the UK market. However, contrary to this desirable outcome, there is a risk that gas availability could be reduced as a result of the additional complexity, uncertainty and risk resulting from an already complex regime being modified at short notice. We believe that the balance of these two factors is the key to the decision as to whether proposal 0150 should be implemented.

We do not support modification proposal 150A as it seeks to impose terms which impinge on the NTS’s role as operator of the transmission system. For instance, transfer rates and transfer zones should be for the transporter to stipulate, not users, as they are related directly to licence obligations. Therefore, as far as we are concerned the alternative fails at a fundamental level and should not be implemented.

As can be seen from our representation, our support for this proposal is marginal with some serious concerns as to the direct and indirect consequences these fundamental changes will have on other aspects of the gas market. In this respect, we take comfort from the fact that these are *transitional* arrangements.

Yours sincerely

Phil Lawton,
Distribution Regulation Manager