

The Joint Office, Relevant Shippers, Gas Transporters, and other interested parties

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Dear Colleague

Consultation on the Transmission Planning Code

National Grid has an obligation to prepare and consult on a Transmission Planning Code under Special Condition C11 of its Gas Transporter Licence in respect of the NTS ("the Licence").

The Transmission Planning Code contains a description of the main technical factors that affect the planning and development of the NTS, and includes a methodology to determine the physical capability of the NTS. The Licence requires National Grid to consult on the Transmission Planning Code for at least 28 days, prior to its implementation. The Transmission Planning Code must be approved by the Authority and be implemented by 1 October 2008 and National Grid must comply with the Transmission Planning Code and review it periodically (at least every 2 years).

National Grid has undertaken 4 workshops to discuss and develop the Transmission Planning Code with Shippers, Gas Transporters and other interested parties. A draft version of the document has been circulated to the industry ahead of this consultation to inform these discussions. National Grid is now formally consulting on the Transmission Planning Code, ahead of submitting the statement to the Authority for approval. We invite views on the Transmission Planning Code and in particular, are interested to receive responses on the questions contained in the Appendix to this letter.

A copy of the proposed Transmission Planning Code document and Special Condition C11 of the Licence may be found on the Joint Office website at:

<http://www.gasgovernance.com/Code/Workstreams/TransmissionWorkstream/2008Meetings/>.

The consultation on the proposed Transmission Planning Code will close on **Friday 15th August 2008**.

Responses may be sent to:

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Alternatively, they may be sent by e-mail to ntsinvestment@uk.ngrid.com.

Please mark your response as confidential if you do not wish it to be published.

If you have any queries on the Transmission Planning Code or this consultation, please contact me at chandima.dutton@uk.ngrid.com or 01926 653231, or alternatively Russell Cooper at russell.d.cooper@uk.grid.com or 01926 656144.

Yours sincerely,

Chandima Dutton

Appendix: Questions for consultation

Q1: National Grid has included a description of the main legislative requirements and IGEM technical guidelines it has adopted in its planning process in the statement. National Grid has identified these requirements and guidelines to be the main material technical aspects related to the planning and development of the NTS within the Transmission Planning Code as required by Special Condition C11. However, National Grid welcomes views on whether other legislative or technical requirements should also be described in the statement.

Q2: National Grid has included information in the document on how the physical capability of the NTS will be determined using network analysis models and long term supply and demand forecasts. The level of detail that can be described is limited by data confidentiality issues. National Grid invites views on whether further detail should be included on the models themselves, whether such a high degree of transparency would be beneficial to the wider industry. National Grid would be interested in understanding any commercial implications of including more detail in the document.

Q3: National Grid has interpreted Special Condition C11 as requiring primarily a methodology to describe the physical (or engineering) aspects of planning and development, as these drive the investment costs associated with developing the NTS. National Grid has also included information on how its planning process interacts with the commercial processes for the release of entry and exit capacity, as these provide the market signals to confirm the requirement for investment in the system. Other documents are available that describe the methodologies used to release entry and exit capacity, and to transfer, trade or substitute entry capacity and have been referenced in the Transmission Planning Code to avoid unnecessary duplication. National Grid invites views on whether the Transmission Planning Code meets the requirements of Special Condition C11 to prepare a methodology to determine the physical capability of the NTS and whether the document is appropriately aligned with other methodology statements produced under different Licence conditions.