

Mr. Andrew Fox
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National Grid House
Warwick Technology Park
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31st August, 2011

Re: Exit Capacity Release: User Commitment

Dear Andrew,

I refer to Agenda item 4.1 Exit Capacity Release: User Commitment scheduled for discussion at the UNC Transmission Workgroup on 1st September 2011. Gaslink makes these comments in its capacity as operator of the network downstream of Moffat.

Gaslink believes that the current user commitment rules discriminate against Shippers holding capacity for which actual prices turn out to be more than four times the indicative prices – their user commitment in financial terms can increase many-fold, whilst Shippers holding capacity subject to lesser price movements are unaffected, and retain their original financial user commitment.

We do not believe these somewhat random and arbitrary impacts, driven entirely by the degree of price volatility at a given exit point, are appropriate. One would expect the rules to afford some protection against price volatility, rather than penalising the Shippers concerned – at the very least one would expect equality of treatment, irrespective of price volatility.

Although the user commitment impacts resulting from the recent price movements for the Moffat exit point amply demonstrate the inappropriate nature of the current rules, this is a broader, system-wide, issue that could affect any exit point depending on the year-on-year price movements in relation to a particular exit point.

Whilst we appreciate the work the industry is undertaking to refine the pricing methodology under Modification 356/356A, and that one of the objectives of this work is to reduce price volatility, this will not guarantee that price movements above the four-fold threshold (that leads to user commitment inequality) will not occur in future, and is not therefore a solution to this problem.



Gaslink therefore advocates an approach providing universal user commitment alignment across all capacity holdings and Shippers, irrespective of price movements or user commitment durations, in accordance with one simple principle; that the financial user commitment to any capacity should be no greater than that implied by the indicative price for the capacity at the time the commitment is made. This would eliminate the inconsistent and discriminatory aspects of the existing arrangements.

Gaslink believes this principle can be given effect through a simple rule change as described in the TPA Solutions response to the 2011 Consultation on the NTS Exit Capacity Release Methodology Statement (ExCR) dated 28th March 2011.

We believe such an approach would improve capacity planning processes – National Grid will receive more robust signals of future exit capacity requirements where Shippers make capacity commitments in the certain knowledge that the associated financial commitment is capped at a transparent level, and that the exposure to uncertain and potentially volatile movement in indicative and actual prices is removed.

Unfortunately, due to prior work commitments, Gaslink is unable to attend the Transmission Workgroup on 1st September or to participate by teleconference. However, I would be grateful if you could make the Workgroup aware of our views on this matter.

Yours sincerely,

A handwritten signature in black ink that reads "Celine Hayes". The signature is written in a cursive style and is positioned above a horizontal line.

Celine Hayes,

Manager – Transportation Projects