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0356 / 0356A: Demand Data for the NTS Exit (Flat) Capacity Charging Methodology

Dear Sir / Madam

Phoenix Supply Ltd (**Phoenix Supply**) welcomes the opportunity to comment on the Demand Data for the NTS Exit (Flat) Capacity Charging Methodology consultation.

Phoenix Supply is the largest natural gas supplier in Northern Ireland supplying around 130,000 domestic and business customers. Currently all of Northern Ireland's natural gas is sourced from the NTS via the Moffat exit point.

The indicative rise in exit capacity prices from October 2012 is of serious concern to us considering the significant impact it will on customers in Northern Ireland. Northern Ireland is a growing natural gas market and we endeavour to deliver natural gas at the lowest possible price. The indicative charges are unhelpful in seeking to grow the local market. The 15,300% increase clearly suggests that there are flaws in the current pricing methodology and we welcome the modification proposals to address the issue.

We acknowledge the importance of providing National Grid with investment signals and agree that capacity bookings can be used for this purpose. However, in this scenario it is clear this has not been effective with the obligated capacity at Moffat for 2012/13 currently at 529 GWh/day in comparison to the forecast demand of 273 GWh/day. Our concern is that any methodology which relies on shippers managing their bookings effectively means that all shippers can be penalised for those who do not manage their bookings effectively. Despite the high indicative prices, effective capacity management has not occurred to date.

It has been noted that demand forecasts can be unpredictable. However, we would argue that whilst they can vary from actual demand, we cannot foresee the actual variance being as high as that between the forecasts and capacity booked.

In conclusion, Phoenix Supply supports modification 356 over 356A. Demand forecasts are more reflective of what will actually be required whereas the capacity booking methodology requires most, if not all shippers to manage their bookings effectively, which to date has not taken place.



We trust you have found these comments helpful and should you wish to discuss any aspect of our consultation response in further detail please do not hesitate to contact me.

Yours faithfully,

Stephen English
Gas Trading Manager