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01 February 2005

Dear Julian,

Network Code Modification Proposal 0733: Facilitation of substitutability between capacity and locational energy actions

Statoil (UK) Limited (STUK) welcomes the opportunity to respond to this modification. STUK would like to make the following comments.

STUK do not support this modification proposal. Transco have already made the necessary adjustments to their revenue flows to accommodate the changes to their licence through modification 687. This modification proposal cannot be required to implement licence changes as this would put Transco in breach of their licence at present. The proposals made by Transco do not further the relevant objects and undermine the capacity products already purchased by users.

With the introduction of long term capacity auctions it was understood that greater stability would be required with the transportation regime at entry to underpin the long term commitments that shippers may choose to make. Similarly if a Shipper should choose not to make a commitment and purchase interruptible capacity this had to be based on a risk assessment at the time. Changing Transco's ability to curtail interruptible capacity at entry will undermine this decision and alter the nature of the capacity product purchased and as a result any decision to participate in the auctions or not.



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Another issue STUK would like to raise regarding this modification is the necessary changes to the System Management Principles Statement (SMPS). Transco identify that changes may be required to the SMPS as a result of the modification yet Transco have failed to produce drafting for these changes along with the modification proposal. STUK assert that changes to ancillary documents should be provided with the proposal in order to full appreciate the impact of the modification.

STUK also note that in the Transco originally stated in the NT&T workstream that they would ensure that Market Balancing Sell Actions would not outweigh the Market Balancing Buy Actions, as is currently the case in the Network Code (with any surplus feeding into cashout)¹. However the legal drafting submitted with the Draft Modification Proposal does not make any allowances for this. STUK would therefore seek clarification on how sell actions in excess of buy actions are to be treated under the new proposals as it is important to ensure that locational actions associated with location buy actions are excluded from the cash out process.

Thank you for the opportunity to comment on this modification. If you wish to contact me in connection with the above modification please contact me on the above number.

Yours sincerely

Robert Cross
Regulatory affairs manager

¹ NT&T Workstream Minutes_071004 v3.0.doc



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