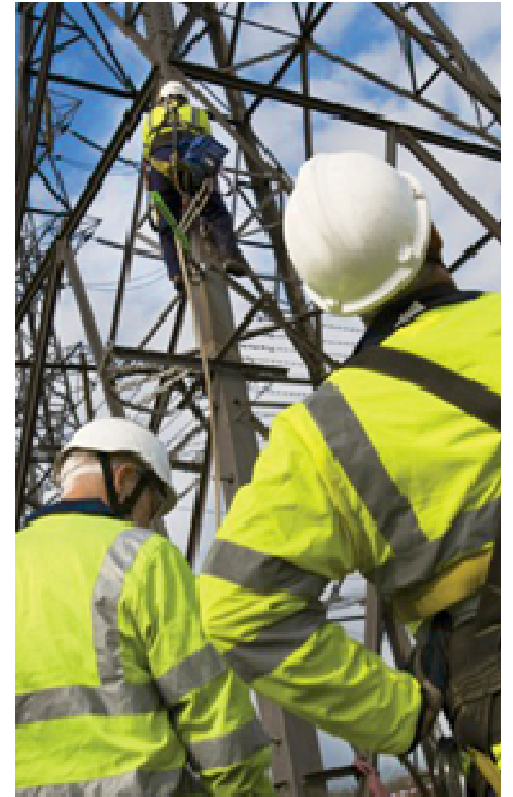


Entry Capacity Substitution and Revision Methodology Statement



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Methodology Statement

- ◆ Licence obligation to review methodology each year
 - ◆ No date specified in the licence
- ◆ No major changes planned
 - ◆ Review on the application of the entry substitution methodology to the March 2010 QSEC Auction on NG website
<http://www.nationalgrid.com/uk/Gas/Charges/statements/transportation/ecms/>
- ◆ National Grid currently reviewing
 - ◆ Consultation approaching

Following QSEC 2010

- ◆ Incremental entry capacity signals received in respect of Barrow, 30.91 GWh/day non-incremental obligated entry capacity substituted from Teesside at exchange rate of 1:1

- ◆ Retainer at Theddlethorpe, additional 97.83 GWh/day in excess of sold quantity was excluded from substitution

Review

- ◆ Review issued May 2010 and analysis showed that :
 - ◆ ECS methodology was successful in enabling incremental entry capacity to be released without the need for investment.
 - ◆ But methodology was not fully tested, due to only 1 small incremental signal.
 - ◆ Current timescales for substitution analysis are very challenging
 - ◆ two-stage not being re-considered

Next Steps

- ◆ Review Methodology
 - ◆ Any comments/issues to National Grid by 16th July 2010
- ◆ Consultation
 - ◆ Aim for 13th August start date, 10th September close.
- ◆ Submit proposals to Authority, for approval, no more than 14 days after consultation closes