

**Statoil (U.K.) Limited
Gas Division**

Statoil House
11a Regent Street
London SW1Y 4ST

Switchboard: 020 7410 6000
Central Fax: 020 7410 6100
Website: www.statoil.co.uk
Email: CSYK@statoil.com
Direct Line: 020 7410 6173
Direct Fax: 020 7410 6108

Jan Gascoigne
Regulatory Frameworks
National Grid House
Warwick Technology House
Gallows Hill
Warwick
CV34 6DA

5 June 2007

Dear Jan

Re: NTS GCM 06: Further Revision to Obligated NTS Entry Capacity Reserve Price Determination

Statoil (UK) Limited (STUK) supports this proposal. STUK believes that catering for spare capacity by using flow forecasts would reduce the risk of underutilised use of the network, which would be included in the RAV and paid for by shippers, through providing locational signals to encourage Users to utilise spare capacity through a lower price, ultimately avoiding the potential for stranded assets and reducing the risk of inefficient investment elsewhere on the network.

STUK agrees with National Grid NTS that the use of forecast maximum flow, rather than obligated capacity level, will ensure a more cost reflective and stable way forward, in the event that new obligations on National Grid NTS in regard to capacity substitution are implemented.

As we stated in our response to the Impact Assessment, STUK sympathises with the argument that inclusion of spare capacity might result in a shortfall of NGG auction revenue, however, we consider that this risk is far outweighed by the greater risk of underutilised use of network assets, which is of increasing concern with the declining production from the North Sea fields.

STUK supports implementation of this proposal in time for price determination in relation to all entry capacity released from 1st October 2007, starting from the September 2007 QSEC auctions.

Please do not hesitate to contact me if you wish to discuss any of the above.

Yours sincerely

Christiane Sykes
UK Regulatory Affairs Manager
Statoil (UK) Ltd

*Please note that due to electronic transfer this letter has not been signed.