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NTS GCM 11 Retrospective negative TO entry commodity charge

Conoco Phillips welcomes the opportunity to respond to this consultation and supports the implementation of NTS GCM11.

Under the existing rules, and even if NTS GCM 10 is implemented, any over-recovery beyond that will be distributed through the "K" factor equally to entry and exit users and therefore it would not be accurately targeted at those who contributed to the surplus. The proposal targets the surplus at entry users and relates to the year in which the surplus was generated, and in this respect it better meets the licence objectives as aggregate charges would more closely reflect the costs incurred within the formula year.

In particular we support:

the proposed trigger mechanism.

The proposal to trigger the retrospective TO entry commodity charge after the processes described in NTS GCM 09 and NTS GCM 10, if implemented, is appropriate. The proposal to trigger the mechanism at the end of the formula year is appropriate;

the proposed mechanism.

The proposal that any residual TO entry revenue after taking account of credits from NTS GCM 09 and NTS GCM 10 would be available as a credit to shippers is appropriate. We support the proposal that each shipper's credit would be calculated in proportion to their share of entry allocations that would attract the TO entry commodity charge over the formula year. The de minimus level of £1mn seems in order given transactional costs, as is the timing of payments at the end of the formula year. We also support that credits should be capped at the level of the SO entry commodity charge so that TO and SO charges together do not represent a credit to shippers; and.

implementation from 31 March 2008.

Although we support the proposal we consider that a holistic consideration of how to approach a potential over-recovery would have been preferable to the current incremental and piecemeal approach represented by NTS GCM 9-11.

We also note that in the consultation for NTS GSM 10 National Grid raised the idea of having a final payment to manage either over or under recovery and, since it acknowledges that it is highly unlikely that NTS GCM 10 would be ineffective at dealing with the over-recovery this year, it seems there would have been time to develop and propose a more complete solution at that stage.

Please let me know if you require any clarification of these points or further comment.

Yours sincerely

Kirsten Elliott-Smith