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14 September 2009

Dear Debra,

Re: NTS GCM 18: NTS Entry Capacity Retention Charges

Thank you for the opportunity to provide comment on the above discussion paper, Statoil (UK) Ltd, (STUK), would like to provide the following comments.

Whilst not supportive of the implementation of Entry Capacity Substitution, particularly using the proposed methodology, believing that ultimately the use of Substitution could have serious negative impacts on the UK's security of supply position, STUK understands that a change to the charging methodology is required to enable National Grid to fulfil the requirements of its licence.

STUK supports National Grid's view that of the two Retention charge methodologies proposed, methodology B offers the most logical route to formulating a charge for the retention of entry capacity.

Basing the charge on the minimum cost of securing 32 quarters of capacity as used within the economic test (generating a cost of £32,120 per mscm/d rather than £175,111 per mscm/d as in methodology A), would assist in encouraging interested Users' participation in the scheme at all ASEPS rather than at those with high reserve prices. It would also help to alleviate the concern of the 'single quarter issue', by helping to deter Users from purchasing a single quarter of capacity which would act to protect capacity at an ASAP from substitution, as a lower cost alternative to purchasing a retainer.

STUK also agrees with National Grid that the charges and refunds associated with the use of the Retention charge should be mapped to TO revenues, as they are related to non-incremental obligated entry capacity and are treated as TO revenues under the licence.

If you have any questions, please contact me on the above number.

Yours sincerely

Shelley Rouse
UK Regulatory Affairs Advisor

Statoil (UK) Ltd

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

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