

Our date
06.04.10

Our reference
STUK response GCM 19

Administrative officer
Shelley Rouse

Your date
06.04.10/15.02.10

Your reference
NTS GCM 19

Attn.: Eddie Blackburn / Debra Hawkin
National Grid
NG House, Gallows Hill
Warwick
CV34 6DA

06 April 2010

Dear Debra / Eddie,

Re: NTS GCM 19: Removal of NTS Daily Entry Capacity Reserve Price Discounts

As a major importer of natural gas to the UK, Statoil (UK) Ltd (STUK) is interested in the maintenance of a stable, efficient and economic entry capacity regime. STUK have participated in the long term entry capacity reservation process since its inception and have played an integral part in the development of the regime, booking capacity at both new and existing terminals. We have expressed our commitment to the UK by purchasing long term entry capacity; with a view to potentially committing even further in the longer term should the regulatory conditions remain favourable.

In its response to PC78, the consultation on the introduction of the TO commodity charge (in July 2004), STUK expressed concern that the creation of the TO commodity charge would create cross subsidies between Users and a disincentive to book long term at a number of terminals.

We are now in a position where this is the case with Shippers such as Statoil, that participate in the long term auctions and provide National Grid with the appropriate investment signals, subject to the application of an ever increasing TO commodity charge. The application of the charge to all capacity holders regardless of when the capacity is purchased results in some Shippers in effect paying twice for capacity and cross subsidising those Shippers buying capacity for low or zero cost nearer the gas day.

STUK welcomes the proposals discussed in NTS GCM19 and UNC modification proposal 0284 and supports the removal of the discounts that are currently applied to both the DADSEC and WDDSEC auctions. STUK also understand that should the charging and modification proposals

Our date
06.04.10

Our reference
STUK response GCM 19

Administrative officer
Shelley Rouse

Your date
06.04.1015.02.10

Your reference
NTS GCM 19

Statoil (U.K.) Limited

2 of 2

be implemented, Ofgem are to agree to a licence derogation on the obligation on National Grid to provide a clearing auction to for within day capacity a move which STUK also welcome.

The removal of these discounts will go some way to reduce the incentives on shippers to delay the purchase of entry capacity until close to the day of use. This should then encourage the booking of entry capacity in the longer term auctions which will increase auction recovery and help to reduce the TO commodity charge.

STUK is disappointed however that the necessary UNC modification and licence change proposals have yet to be raised to allow the revenue from the sale of within-day obligated NTS Entry Capacity to be treated as TO revenue. Without this change any revenue from the sale of short term entry capacity will not feed into the TO revenue. This will reduce the effectiveness of the removal of the short term entry capacity discounts and lessen the potential decrease in the TO commodity charge.

STUK supports the proposals in NTS GCM 19 and the associated UNC modification but believes that the necessary changes to the treatment of revenues for the sale of within day capacity (move from SO to TO) should be made as soon as possible to allow the full benefit of implementing the proposals to be felt.

Kind regards

Shelley Rouse
UK Regulatory Affairs Advisor
Statoil (U.K.) Limited
srouse@statoil.com