

The Joint Office, Relevant  
Gas Transporters, shippers and other  
interested parties

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Dear Colleague

**Update to the Incremental Entry Capacity Release Methodology Statement (“IECR”) in respect of Entry Capacity Substitution.**

Special Condition C15 of National Grid’s Gas Transporter Licence in respect of the NTS (the “Licence”) requires National Grid NTS (“National Grid”) to publish the methodology by which it will release incremental entry capacity in response to requests from Users.

On 16<sup>th</sup> July 2007 Ofgem approved<sup>1</sup> National Grid’s latest proposal for the IECR which is now available on National Grid’s web site at:  
<http://www.nationalgrid.com/uk/Gas/Charges/statements/transportation/iecr/>

Due to time constraints National Grid developed its proposed IECR whilst the Licence was still subject to change. The IECR, therefore, contained a statement providing that relevant sections would only apply if the Licence became effective as envisaged at the time of drafting. It also provided for National Grid to notify Shippers prior to the QSEC auctions if any parts of the IECR were not to apply.

On 27<sup>th</sup> July 2007 Ofgem announced<sup>2</sup> a delay to the requirement for National Grid to implement an Entry Capacity Substitution process thereby allowing for further industry consideration of a number of issues, including substitution, relating to the entry capacity regime. Hence this letter provides notice that paragraph 15 and the first three lines of paragraph 37 of the current IECR, version 7.0, which relate to Entry Capacity Substitution, do not apply. For reference paragraphs 15 and 37 are reproduced in full below.

Yours sincerely

Andrew Fox

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<sup>1</sup> Ofgem: Incremental Entry Capacity Release (“IECR”) Methodology Statement, 16 July 2007, ref 182/07

<sup>2</sup> Ofgem: Further consultation on NTS entry capacity baselines, 27 July 2007, ref 192/07

**Sections of IECR version 7.0 that do not apply.**

*15 In addition National Grid will consider whether unsold baseline capacity (as defined in the Licence) can be substituted to NTS Entry Points where demand exceeds the obligated level thereby, potentially, reducing the requirement for investment in the NTS. The process by which such substitutions may be considered will be provided in the "Entry Capacity Substitution Methodology Statement".*

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*37. Subject to the following paragraphs, following successful bids by Users for incremental NTS Entry Capacity National Grid will investigate opportunities to satisfy the increment by substituting capacity from other ASEPs. Where such opportunities have been exhausted National Grid will undertake such reinforcements as it considers necessary to make incremental NTS Entry Capacity available.*