

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

Andrew Fox
Senior Commercial Analyst
Gas Charging and Access
Development

andrew.fox@uk.ngrid.com
Direct tel +44 (0)1926 656217
Direct fax +44 (0)1926 656604
Mobile +44 (0)7768 104846

www.nationalgrid.com

22 May 2009

Dear Colleague

Review of Incremental Entry Capacity Release Methodology Statement 2009

Special Condition C15 of National Grid Gas plc's ("National Grid") Gas Transporter Licence in respect of the NTS ("the Licence"), sets out obligations to prepare and annually review the Incremental Entry Capacity Release Methodology Statement ("IECR"). As part of the review, National Grid is obliged to consult with shippers on proposed changes. This letter therefore notifies of the proposed changes to the IECR and invites views on those revisions.

Having reviewed the methodology National Grid is proposing to make no changes affecting the release of incremental entry capacity. However, the opportunity is being taken to simplify and add clarity to the methodology.

The changes proposed are as follows:

- Deletion of Appendix 1;
- Addition of explanatory diagrams in the section on Timing of Release of Capacity;
- Minor updates.

Deletion of Appendix 1

Appendix 1 of the current IECR provides details of the NTS capacity charging models and the derivation of incremental entry capacity step prices. The vast majority of this appendix is a duplication of National Grid's Statement of Gas Transmission Transportation Charging Methodology. This is because the methodology for determining incremental entry capacity price steps is fundamentally the same as the methodology used to determine reserve (P_0) prices. National Grid believes that it is appropriate for the IECR to focus on the mechanisms for release of incremental entry capacity whilst pricing aspects should be contained in a separate document dealing solely with transportation

charges. This proposed change will add clarity to the IECR making it more relevant to those with a potential need for incremental entry capacity. In addition the change should reduce the risk of contradictory methodologies being developed.

Consistent with this proposal the Statement of Gas Transmission Transportation Charging Methodology has been reviewed and amended to include the methodology for determining incremental step prices.

Timing of Release of Capacity

National Grid is incentivised to release incremental entry capacity in advance of the 42 month default lead time allowed in the Licence and has an allowance to defer release where National Grid believes that it cannot provide the incremental entry capacity within this default period. These mechanisms are commonly referred to as “permits” and “accelerated release”.

Paragraphs 44 to 65 of the IECR provide detail on how these mechanisms will be applied. A number of diagrams have been added to this section to provide greater clarity on how “accelerated release” will be considered and how “permits” will be played or gained. These additions are being proposed to the IECR to improve understanding of the mechanisms involved; they do not change the way in which incremental entry capacity will be released.

National Grid would appreciate the comments of Shippers and other interested parties on the proposed changes to the IECR. Responses should arrive at National Grid by 17:00 on 19th June 2009. They should be sent to:

Andrew Fox
National Grid
Transmission: Commercial
NG House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

Alternatively they can be sent by e-mail to:
box.transmissioncapacityandcharging@uk.ngrid.com
Please cc to andrew.fox@uk.ngrid.com.

To assist in reviewing the proposed changes the following documents are available on National Grid's website via:
www.nationalgrid.com/uk/Gas/Charges/statements/transportation/iecr

- A clean copy of the proposed IECR: version 8.2;
- A marked comparison of the proposed IECR (v8.2) to the current approved IECR (v8.0); and
- The current approved IECR: version 8.0, effective 1st September 2008.

Yours sincerely

Andrew Fox