



June 5, 2009

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

RE: Informal Consultation on Entry Capacity Substitution dated 15 May 2009

Dear Andrew,

Excelerate Energy appreciates the opportunity to comment on the above informal consultation.

We believe that National Grid has run a useful process over the last year in relation to substitution which has created much greater understanding in the industry of the complex issues involved. We appreciate the efforts of National Grid and shippers during this process.

The informal consultation sets out three alternative approaches to substitution which fairly represent the culmination of all the efforts during this process.

Our view is that maintaining flexibility in the NTS at this time should be recognised as an important objective for the efficient functioning of the UK gas market. By 2015, the UK will have developed a significant reliance on LNG and pipeline imports and the UK must be able to attract these gas supplies. The ability to buy firm NTS capacity is important in securing the flexible gas that will be increasingly important.

Andrew Fox
National Grid



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Given that, we believe that the Mechanical approach represents the best option for substitution. We believe that the TBE process provides the basis for this approach but rules should be developed to maintain capacity at the 'flexible' entry points located at Bacton, Teesside and St. Fergus. All these terminals have the ability to bring in flexible pipeline gas or LNG at times of high demand and this should be recognized in the process for the Mechanical approach.

We further recognise that if capacity is maintained available in this way it is not unreasonable for there to be a charge for the use of such capacity and we would support the removal of free capacity in the within day and day ahead markets.

We look forward to a satisfactory conclusion in relation to substitution.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Jonathan Cook', is written over a large, faint, circular watermark or background mark.

Jonathan Cook
Chief Operating Officer