

Andrew Fox
National Grid
Transmission Commercial
NG House
Warwick Technology Park
Gallows Hill
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5 June 2009

Dear Andrew,

Informal Consultation on Entry Capacity Substitution

Statoil (UK) Ltd (STUK) welcomes the opportunity to comment on the above consultation. As a major importer of gas to the UK, STUK is interested in the maintenance of a stable, efficient and economic entry capacity regime. With security of supply high on the agenda, STUK believe that care should be taken to ensure that any changes to the entry capacity regime do not make the UK an unattractive prospect for investment. New marginal upstream developments are reliant upon existing infrastructure to be economic and it is possible that such developments could not get to market if existing capacity is not available.

STUK have concern regarding the level of proposed changes to the UK entry capacity regime and believes that high number of concurrent changes will make it difficult to assess the impact of any individual development. STUK, although not in support of the general principle of Entry Capacity substitution, have sympathy for the licence obligation placed on National Grid to implement a Substitution methodology and are therefore in support of the mechanical approach to Entry Capacity Substitution.

The implementation of a clear transparent approach will ensure that the already complex Entry Capacity regime is not made worse and new entrants are not discouraged from participating in the regime. Using the TBE flow forecast data (and in the absence of TBE data, deliverability) to assess the need for capacity to be retained at an ASEP would ensure that capacity at an ASEP remain available to those projects which need it. STUK supports the use of exchange rate caps but believes that the application of a 1:1 exchange rate cap will prevent capacity destruction and the creation of a tighter system.

The remaining two options for Entry Capacity substitution, the two stage auction and Option approaches, add additional complexity to the booking of entry capacity as well as placing an additional cost burden on shippers and developers at a time of economic uncertainty which could outweigh the perceived benefits.

STUK trust that our comments will be given due consideration and should you wish to discuss any aspect of this response further please contact me on the above number.

Yours sincerely

Shelley Rouse.
UK Regulatory Affairs Advisor
Statoil (UK) Ltd