



4 June 2009

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

Dear Andrew

Response by Wingas Storage UK Limited ("WSUK") to National Grid's Informal Consultation on Entry Capacity Substitution dated 15 May 2009.

This letter is a response on behalf of WSUK to your Informal Consultation. We appreciate the thought and effort expended by National Grid (and the participants in the various workshops) in developing the various ideas leading to the three options described in detail in the Consultation document. We believe that they are the correct options to offer for consideration.

While we are sympathetic with the need of National Grid to meet the obligations imposed on it in relation to substitution, our response is necessarily from our viewpoint as developer of a single project that will exit and enter the NTS at a single ASEP-Theddlethorpe. That being the case, we hope you will understand why we do not seek to answer all the questions posed in your Consultation document

In our view, the Mechanical Approach is to be preferred. Although not free from complexity, it seems to us to be easier to manage than the Option and Two Stage Auction approaches but (and probably more importantly) it works in a way that does not create yet another cost to a storage developer..

There are easily enough barriers to development of storage projects without erecting more and we believe that National Grid provides a key enabling role in the UK gas market to encourage such projects. It is undeniably of benefit to consumers for there to be increasing storage capacity in the UK as we move towards greater reliance on LNG imports.

In the case of WSUK, we have already made a substantial investment in developing Saltfleetby but still have to face the cost and time of a Public Inquiry – to say nothing of the subsequent project capital cost. We are optimistic about the Planning outcome but would find it difficult to explain to our shareholders why it should be necessary to make additional financial commitments for entry capacity in advance of being able even to make a start on construction (see paragraph 35 of your Consultation paper). The Saltfleetby storage facility makes great sense in the context of NTS capacity being sited close to the Theddlethorpe terminal which has seen its flows decline in recent years. It does not seem unreasonable to expect capacity to remain available until we have completed our planning process.



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National Grid

Response by Wingas Storage UK Limited ("WSUK") to National Grid's Informal Consultation on Entry Capacity Substitution dated 15 May 2009 (cont'd)

Our shareholders have seen possible substitution away of Theddlethorpe capacity as a material threat and where a project in the UK (for which there is a national need) is competing for funds from international companies with alternative projects elsewhere, such a threat could tilt the balance of preference away from the UK. Others will no doubt be in a similar position.

Whatever approach is eventually adopted to solve the substitution issue, we hope that in the light of our investment to date and the vigour with which the Saltfleetby project is being pursued, there will be no substitution away from Theddlethorpe that jeopardises our project (see third bullet in paragraph 72 of the Consultation paper). Relevant details for programme and entry (and exit) requirements have been provided to National Grid.

Thank you for the opportunity of responding

Yours sincerely

A handwritten signature in black ink that reads "Fraser Ashman".

Fraser Ashman
Company Secretary

cc Frank Tauchnitz, Managing Director