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Gas Division**

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11 February 2008

Dear Andrew

Re: Consultation on The Entry Capacity Transfer and Trade Methodology Statement

Statoil U.K. Ltd (STUK) supports the principle of ensuring effective use of the NTS. STUK remains concerned, however, that the proposed Methodology Statement does not facilitate Trades and Transfers, to the extent of being compatible with the physical capabilities of the NTS and avoiding material increases in costs. Much of the assumptions made in the Statement are untested and, therefore, render it difficult to respond with any certainty, as to the most appropriate route to facilitate the Trade and Transfer of capacity and the extent to which such a process risks Users' existing capacity rights and the integrity of the System.

STUK welcomes NGG NTS's assurances that Trades and Transfers shall not be accepted if it leads to existing (and committed) commitments not being maintained. It is also entirely appropriate that Transfers and Trades should not be accepted if it leads to a 'material increase in costs', including entry capacity buy back costs or other constraint management costs. There appear to be inconsistencies, however, with the Code Modification proposals 0187 and 0187A, where both Proposers state that implementation of their proposal has the potential to affect the operation of the System by increasing physical constraints, which may require commercial actions. This does not inspire confidence in the proposed regime.

Generic exchange rates provided market participants with certainty of allocation, whereas specific exchange rates, as proposed for the enduring regime, should lead to more capacity available for Trades and Transfers but less certainty. We would welcome further analysis to ensure that the appropriate level of capacity is made available for allocation, without increasing risk.



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STUK would like to take this opportunity to raise our concern that at no point during this process have all the detailed changes to the entry regime been considered holistically, nor the interaction with the exit regime. Clearly, changes proposed to any aspect of the entry regime will consequently impact other areas of the regime, with the potential for unintended consequences.

At present, changes to Gas Entry baselines, substitution (at entry and exit), charging, with respect to identifying 'spare capacity' and Entry Capacity reserve price discounts, changes to long-term auction dates and possibly extra medium term-auctions, required to take account of changes to baselines are some of the areas being consulted on. All of these areas will, to a greater or lesser degree, have interactions, which cannot be fully understood, unless considered as a whole. STUK would recommend that industry working groups, specifically designed to consider all of the changes holistically, are established at the earliest opportunity to ensure that stakeholders fully understand the changes being proposed, what issues the proposals seek to address and whether certain changes actually address the same issue and, therefore, can potentially be tied into one. The value of such industry discussion cannot be underestimated in facilitating workable, economic and efficient solutions to address identified weaknesses in the current regime.

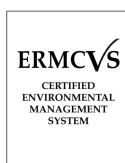
We acknowledge that the purpose of this consultation is to canvas specific views on the Entry Capacity Transfer and Trade Methodology Statement, however, the success or otherwise of any change to the entry regime is, to differing levels, dependent on what changes are implemented in other areas. It is for this reason that we have felt it necessary to ask for all proposals to be considered holistically, to ensure that any changes proposed, work in unison and do not cancel out or conflict with each other or do not result in unintended consequences which might otherwise be overlooked.

Please do not hesitate to contact me if you wish to discuss any of the above.

Yours sincerely

Christiane Sykes
UK Regulatory Affairs Manager
Statoil (UK) Ltd

*Please note that due to electronic transfer this letter has not been signed.



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