

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

Lesley Ramsey
Commercial Analyst

lesley.ramsey@uk.ngrid.com
Direct tel +44 (0)1926 654048
Direct fax +44 (0)1926 656604

13 April 2011

www.nationalgrid.com

Dear Colleague

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

Special Condition C8D of National Grid Gas plc’s (“National Grid”) Gas Transporter License in respect of the NTS (the “License”) sets out obligations to prepare and submit for approval by the Authority entry capacity transfer and entry capacity trade methodology statements setting out the methodologies that National Grid will use to facilitate entry capacity transfers and entry capacity trades. National Grid considers that it is appropriate to prepare a single document (the “Methodology Statement”) to meet these obligations.

National Grid is further obliged to review the Methodology Statement at least once a year in consultation with relevant Shippers and interested parties. Having reviewed the Methodology Statement, National Grid is proposing no changes, apart from some general date related updates. This letter therefore provides notice of the proposed Entry Capacity Transfer and Trade Methodology Statement and invites views on the proposal.

In accordance with the License, National Grid produce an annual report on the application and implementation of the entry capacity transfer and trade methodology during the previous formula year. It is expected that National Grid will be issuing this report to Ofgem on or about the 13 April 2011. It will be made available on the National Grid website on the same day.

When entry capacity trade and transfer was introduced it was envisaged that the RMTTSEC timeline would eventually be shortened. This improvement would be subject to experience gained by National Grid in undertaking Transfer and Trades in stage 2 of the RMTTSEC process. However, the absence of stage 2 allocations over the last two years has prevented National Grid from gaining this experience. Without the knowledge that stage 2 analyses would provide National Grid remains concerned that sufficient time may not be available between the capacity auction window and the deadline for allocations for the necessary analysis to be undertaken.

Notwithstanding these concerns, National Grid is conscious of industry preference for the auction window to be closer to month end and intends to shorten the RMTTSEC process timeline by approximately 5 calendar days. The precise change would be influenced by the proximity of non-business days to the month end.

With this change the surrender window will be moved to within the same calendar month as the other elements of the auction and the RMTTSEC auction window will be 5 calendar days closer to the end of the month. However, National Grid will keep the timeline under review and if necessary, based on the experience of actual stage 2 analyses, may revert to the current

timeline. The changed timeline will commence from 1 June 2011 for July capacity. This change is consistent with the timelines as defined within the UNC. Although there is no impact on the Methodology Statement National Grid believe it is appropriate to signal this change at the same time that the Methodology Statement is reviewed.

Please note that this change is dependant upon there being no significant opposition raised to this proposal. National Grid will issue a RMTTSEC timeline guidance note to confirm the timeline that will be applied within 3 business days of the consultation end date, this will be done via the JO

A copy of the proposed Methodology Statement (v4.1) and a comparison to the current version (v4.0) accompanies this letter and should be read in conjunction with the relevant sections of UNC.

Responses to this consultation should arrive at National Grid no later than 17:00 on 16th May 2011. They should be sent by e-mail to:
box.transmissioncapacityandcharging@uk.ngrid.com.

Please copy to lesley.ramsey@uk.ngrid.com and request a "read receipt" to confirm delivery.

Alternatively they can be sent by post to the above address marked for the attention of:
"Lesley Ramsey
UKT Commercial – Floor B3"

Responses will be placed on National Grid's website and incorporated within the consultation conclusions report. If you wish your response to be treated as confidential then please mark it clearly to that effect.

Yours sincerely
Lesley Ramsey