

14 March 2012

Mark Lyndon

National Grid NTS

mark.j.lyndon@uk.ngrid.com

CC: box.transmissioncapacityandcharging@uk.ngrid.com

CC: andrew.fox@uk.ngrid.com

Centrica Storage Limited

Venture House

42-54 London Road

Staines

Middlesex TW18 4HF

Telephone +44 (0)1784 415300

Facsimile +44 (0)1784 415318

www.centrica-sl.co.uk

Dear Mark,

Re: Centrica Storage Limited's response to National Grid Gas's Consultation on the revised NTS Exit Capacity Release Methodology Statement (ExCR v7.1)

Centrica Storage Limited (CSL) welcomes the opportunity to provide its views on the annual review of the Exit Capacity Release Methodology Statement (ExCR), resulting in version 7.1 published by National Grid Gas (NGG) on 24th February 2012. This is a non confidential response and as such we have no objection to it being placed in the public domain.

So far, we have appreciated NGG's effort to engage with the industry in a constant development of the Exit Capacity Release Methodology. CSL would like to continue to offer its help in making this process more effective and efficient.

Whilst CSL generally supports the changes proposed by NGG in version 7.1 of the Statement, we believe that an additional issue should be addressed in this annual review, namely the removal of the "14 months notice" period for reductions of incremental Enduring Exit Capacity when the User Commitment is satisfied in advance.

This issue is fully reported in the UNC Modification Proposal 417 "Notice for Enduring Exit Capacity Reduction Applications", which has been raised by CSL on the 14th February 2012 and whose solution is currently under development at the UNC Transmission Workgroup.

Hereafter is a short summary of the identified problem and the proposed solution¹.

Problem

Users applying for incremental Exit Capacity² are required to commit to pay the indicative transmission charge at the relevant offtake point for a period of four years³. If Exit Capacity charges are reviewed after the application and, as a consequence, Users face higher charges, this may lead to a satisfaction of their User Commitment (UC) within the first year of registered capacity.

¹ Please, refer to JOGT website for the full proposal of Mod 417

(<http://www.gasgovernance.co.uk/0417>)

² it corresponds to "Enduring Annual NTS Exit (Flat) Capacity" product in the Enduring period.

³ this financial commitment is generally referred as "User Commitment" (see Ofgem implementation notice Mod 195AV) and it is quantified in the User Commitment Amount (ExCR 7.1 §91-97)

However, due to the “14 months notice” rule, these Users would be prevented from applying for any reduction in their capacity holdings with effect within the first year, exposing them to unforeseen but potentially significant increases in their cost over and above their UC.

Solution

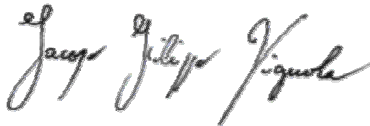
It is proposed to amend the “14 months notice rule” such that affected Users are allowed to make an application during the Reduction Application Window preceding the first day of registered capacity for a reduction with effect from the 1st of any month after the UC has been satisfied. NGG will reject such application only if the UC will not be satisfied by the requested reduction date, given the actual charges⁴.

See annex 1 for a working example.

In conclusion, we believe that the above solution, assuming that the Modification is implemented into the UNC, should be also included into the ExCR, as soon as reasonably possible and subject to approval from the Authority, to ensure continued consistency with UNC.

We hope that you have found these comments useful and please do not hesitate to contact me if you wish to discuss the response further.

Your sincerely,



Jacopo Filippo Vignola

Regulatory analyst

direct: +44 (0)1784.415386

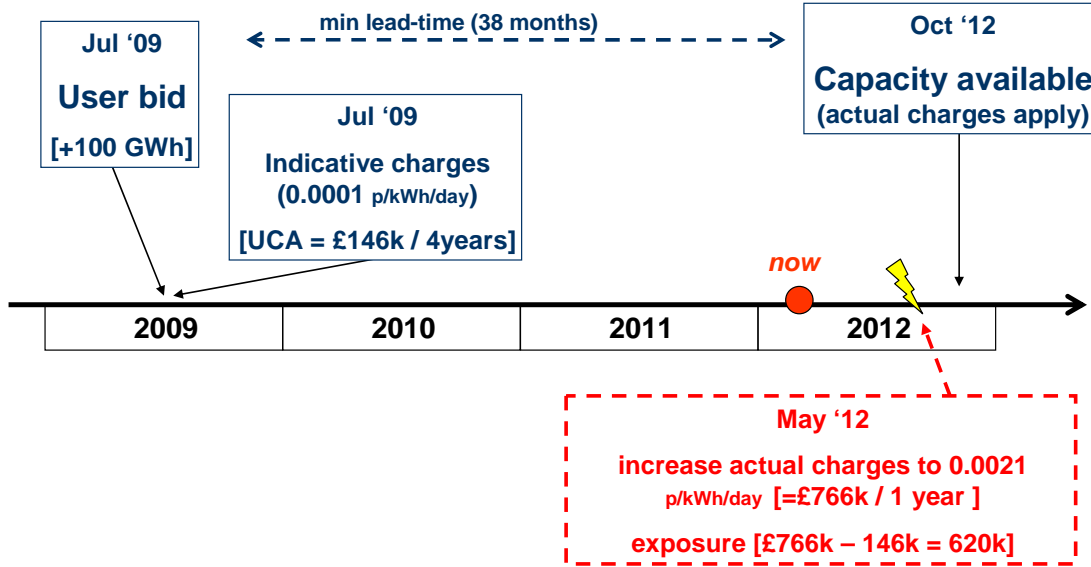
mob: +44 (0)7769.542498

jacopo.vignola@centrica-sl.co.uk

⁴ actual NTS Exit Capacity Charges are set in the Notice of Gas Transmission Transportation Charges, which is published in advance (May) of the Reduction Application Window (July).

Annex 1 – Working Example (Mod 417) on the “14 months notice” rule

Problem



Solution

