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Tuesday 28 November 2006

Dear Jan

RE: GCD 01: Introduction of NTS Exit (Flat) Capacity Charges under the enduring offtake arrangements

Statoil UK (STUK) welcomes the work undergone in the Transmission Charging Methodology Forum to facilitate debate on charging issues.

STUK does not accept that there is sufficient justification for fundamental reform of the exit regime, however, we would like to offer the following general comments to this Pricing Discussion paper, to inform the consultation process.

STUK support the Transportation Model as the most appropriate mechanism to determine Prevailing NTS Exit (Flat) Capacity prices and reserve prices for annual and daily form NTS Exit (Flat) Capacity auctions. We further consider that it should be based on a single year network model and supply/demand forecast for the relevant year.

Enabling users to repeat the charge setting process will reduce complexity and, therefore, aid transparency and improve understanding of the charging process, for users. Charges based on a single year network model and supply/demand forecast for the relevant year should result in more accurate and stable prices, through removing the uncertainty associated with a ten year forecast.

It seems sensible that Exit LRMCs are converted into prices using the annuitisation factor. We agree that year-on-year capping of NTS Exit Capacity prices ought to be removed from the methodology as this should result in more cost reflective charging and we further concur that interruptible NTS Exit (Flat) Capacity prices are discounted by 100%, to reflect the fact there will be no associated investment.

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

Yours sincerely,

Christiane Sykes
Regulatory Affairs Manager.



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