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Jan Gascoigne  
Regulatory Frameworks  
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Tuesday 28 November 2006

Dear Jan

**RE: GCD 02: Introduction of NTS Exit (Flexibility) Capacity and Commodity 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.

In the event that Proposal 116 is implemented, we would support the introduction of a zero reserve price for all NTS exit zones for the annual auction of NTS Exit (Flexibility) Capacity and for daily NTS Exit (Flexibility) Capacity.

The costs of introducing a SO Exit (Flexibility) Commodity Rate appear to outweigh any perceived benefit. The revenue recovery associated with such a charge is likely to be small, as has been indicated by NG NTS, this, weighed against the resource, systems and process costs and the charge itself, would impede competition as the charge would not be justified by the benefits.

It would seem infinitely more appropriate to monitor the use of flexibility on the system, as proposed in Modification 116C, prior to levying any charge, to give NG NTS a better indication of flexibility use, compared to system capability. For this reason, we fully support NG NTS's suggestion in the Pricing Discussion Paper, not to introduce a NTS Exit (Flexibility) Commodity Charge immediately. Such a charge might be considered in the future, if behaviours change significantly.

We agree that the levels of charges for entry and exit should be set such that the 50: 50 split remains, given that the target level of revenue to be recovered through the SO Commodity Charges would not be changed. We broadly support option (a) to maintain initial price ratios by combining any over/under recovery amounts and scaling the respective commodity rates by a common factor, facilitating greater price stability and, therefore, certainty. We note, however, that this would result in revenue collected from the flexibility charge, which would not equal the target revenue.

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

Yours sincerely,

Christiane Sykes  
Regulatory Affairs Manager.