TOTAL E&P UK PLC

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June 21st, 2007

NTS GCD 04 - Revision to NTS Entry Capacity Reserve Price Discounts

Dear Eddie,

Total E&P welcomes the opportunity to respond to this consultation.
We share National Grid's worries over the current entry capacity reserve price discount system. Year on year we have seen National Grid face T.O under-recovery due to weak participation in the longer term auctions. We see shippers at certain entry points buy substantial amounts of capacity on the day-ahead and within day auctions, forcing NG to apply ever increasing TO Commodity Charges to compensate for the under-recovery, with the added problem that this charge is smeared across all shippers leading to cross-subsidies and the dilution of cost-reflectivity.

We believe that shipper's costs should be mainly due to Entry Capacity charges and only exceptionally due to the T.O commodity charge.
We believe that in the absence of effective competition NTS entry capacity reserve prices should not be discounted for Daily Auctions of Firm Capacity.
We believe that in the absence of material likelihood of interruption, NTS interruptible capacity should not be auctioned at zero reserve price.

We are confident that implementation of Option 2 is in line with our statements above and would better facilitate the objectives of achieving cost-reflectivity, promoting efficiency and avoiding undue preference.

If capacity is offered at discounted prices only when 90% of the capacity available in the QSEC, AMSEC and RMSECA is sold, this minimizes the risk of NG facing T.O under-recovery whilst at the same time making sure that the costs incurred in making capacity available at a particular entry point are recovered through entry capacity prices to shipper's at that entry point. This would lead to minimal TO commodity charges and an overall system that is more cost reflective.
In the same way, if Interruptible capacity is only offered at a zero reserve price when 90% of the firm capacity available is sold, this means that those buying interruptible capacity are in effect buying a product which can be interrupted, avoiding the case where as not enough firm capacity has been sold, the interruptible product is in practice not likely to be interrupted.

TOTAL
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Option 2 limits the risk of NG facing TO under-recovery whilst at the same time it provides the flexibility in the system to accommodate for new shippers and attract flows that may have not been planned long term, such as storage or continental flows in the event of a Gas Deficit Emergency.
Because of the reasons detailed above we would favor the implementation of Option 2 and believe that can be done with out delay.

We trust you will find our comments useful and we remain available for further questions.

Yours Sincerely,

Bruno Seilhan
Commercial Operations Manager
Total E&P UK PLC
(This letter was sent electronically and therefore it has not been signed)