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Debra Hawkin  
Regulatory Frameworks  
National Grid  
National Grid House  
Gallows Hill  
Warwick  
CV34 6DA

## **Discussion Document GCD 07: Optional NTS Commodity Tariff**

ConocoPhillips (U.K.) Limited (COP) welcomes the chance to comment on the Discussion Document GCD 07.

**Q1. Do respondents consider the cost assignment under methodology option one or two, to be most consistent with the relevant objectives? Do the methodologies;**

- **Reflect the costs incurred by the licensee?**
- **Take account of developments in the transportation business?**
- **Facilitate effective competition?**

COP can understand the reasons why the tariff is being reviewed but the result of the review still needs to meet the underlining principle that short haul exists to avoid inefficient bypass of the NTS. Whilst neither option is directly cost reflective, option 1 is at least reflective of someone's costs.

**Q2. Do respondents have any views on the appropriateness of the costs and parameters used in derivation of the tariff under option two? Specifically;**

- **The connection cost approach?**
- **The annuitisation period; 10years, 45 years or other?**
- **The load factor?**

COP considers that a 45 year annuitisation period should be used as this is consistent with other pipelines. We believe that the load factor for current sites is being lowered by storage users so a higher load factor should be maintained once the storage sites are removed from the tariff.

**Q3. Do respondents have any views on the appropriateness of the costs and parameters used in the derivation of the tariff under option two? Specifically;**

- **Whether the minimum costs should be based on a connection cost approach or a proportion of the SO costs related to short-haul?**
- **Whether the SO costs associated with short-haul (34% for the indicative charges) should be set on an annual basis or fixed, based on a long term trend?**

The costs and parameters all seem a bit arbitrary.

**Q4. Do respondents have any views on the application of the methodology?**

**Specific comments on the following are requested:**

- **Distance from the exit point to the ASEP – in the case of ASEPs with more than one SEP is it appropriate to measure the distance to the nearest SEP?**

Yes

- **Load factor – is it appropriate to use a system load factor or an exit point load factor?**

Exit point load factor would be most reflective, but to avoid complexity the load factor of 75% is probably acceptable.

- **Minimum charge – should there remain a minimum charge? If so, what level should this be set at? Should this be related to the exit point capacity (EPC)?**

There should probably be a minimum cost.

- **Annual updating of charge – should the charge be updated in parallel with other transportation tariffs?**

This is an area that we believe needs more investigation.

- **Application to multiple exit points from a single entry point – do respondents agree that the present default allocation rule should apply when the input allocations are below the output allocations?**

Yes

- **Application at storage exit points – do respondents agree that the ‘short-haul’ tariff should not be applicable at storage exit points?**

Yes we agree.

- **Do respondents agree that the charge should only be applicable to the exit points that are connected between an ASEP and the next downstream compressor?**

No

For option 1 the location of the first compressor has no significance, the location is based on the historical development of the NG system rather than particular physical limits when considering a bypassing pipeline. For example, there is no inherent reason why someone would consider bypassing the NG network by building a 102km pipeline from Burton Point but only consider a 24.8km bypass from Teesside. The KIPS pipeline from Theddlethorpe to Killingholme demonstrates that someone would consider creating a bypass that would not be catered for by the proposal.

For option 2, using the first compressor limits, which are essentially arbitrary for each entry point, does not seem to facilitate effective competition or to be non-discriminatory as some locations are winners and others losers.

Kind regards  
Kirsten Elliott-Smith