mutualenergy

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Dear Sir/Madam

24th November 2010

Mutual Energy Limited (MEL) welcomes the opportunity to respond to the National Grid Discussion Document on NTS Enduring Exit Capacity Charge Setting.

MEL is the ultimate holding company for Premier Transmission Limited (PTL) who owns and operates the Scotland to Northern Ireland Pipeline. MEL is a mutualised company working for the interests of Northern Ireland customers. Currently all natural gas feeding Northern Ireland flows through the Moffat Exit Point on the NTS and so any price fluctuations at this interconnector point affect gas consumers in Northern Ireland.

MEL is of the opinion that the demand inputs to National Grids Transportation Model used in calculating tariffs for the period Gas Year 2012/13 onwards are unrealistic and therefore causing the 150 fold price increase from 0.0001 p/pdkwh/day to 0.0154 p/pdkwh/day for exit capacity at Moffat.

MEL feels the incremental plus baseline booked capacity values should not be used to feed into the Model for peak flow demand, as currently for GY 2012/13 this is at an unrealistically high value of 529Gwh/day. As can be seen from Gaslink's transparency information as required under Regulation (EC) 1775/2005 the Moffat technical ability for the next ten years is a flat level of 349 Gwh/day which is unlikely to change without investment. Logically it therefore doesn't make sense that the peak day flow used in the Transportation Model exceeds this value.

The value of 529 Gwh/day as the current booked capacity at Moffat from 2012 onwards is due to the NTS Exit Reforms process of allocating enduring rights to current Shippers which wrongly reflects user commitment from 2012 onwards. Shippers who now hold this capacity via the enduring rights may actually relinquish capacity nearer the time due to downstream Shippers switching between NTS Suppliers/Shippers. This means that there could be double counting in booked capacity on the NTS at Moffat for the period 2012 onwards. This pushes the Transportation Model into suggesting Moffat as an extremity point which although MEL recognises may occur over time it would seem sensible that this, along with an associated price increase happens gradually and not in one large jump from Gas Year 2011/12 to Gas Year 2012/13.

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MEL suggests that peak flow demand data at the Moffat Interconnector point should be used which reflects more closely actual gas flows and which will therefore provide more price stability. All demand flow information to be used by the Transportation Model for calculation of tariffs should be reflective of forecast flows while taking into consideration capabilities of the downstream system.

Forecast flows for the next ten years can be obtained annually from the Joint Capacity Statement for the downstream system at Moffat. This is published jointly by the Regulatory Authorities in Northern Ireland and the Republic of Ireland (NIAUR & CER) with inputs from TSOs and industry. It is a licence condition for both TSOs and Shippers that all information provided to create the report must be accurate and up to date. MEL suggests that the forecasts contained in this annual report should form the basis of input for forecast flows into the Transportation Model for exit capacity tariffs at the Moffat Interconnector point, as it represents the most accurate form of demand flow forecasts at the Moffat node. The 2010 Joint Capacity Statement shows that the peak forecast demand for the next ten years is 212 Gwh/day.

MEL supports a target implementation date of May 2011 ahead of the next exit application window to enable a more realistic exit tariff to be realised in Gas Year 2012/13.

Yours Sincerely,

Mark Raphael

Mutual Energy Limited

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