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Gas Division**

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Jan Gascoigne
Regulatory Frameworks
National Grid
National Grid House
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Monday 4 December 2006

Dear Jan

RE: GCM 01: Alternative Methodologies for Determination of NTS Entry and Exit Capacity Prices

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

Q1 STUK supports Option 2, using a Transportation model of the NTS, as the most appropriate mechanism to calculate LRMCs. As we noted in our response to GCD 01, enabling users to repeat the charge setting process will reduce complexity and, therefore, aid transparency and improve understanding of the charging process, for Users.

Q2 STUK consider that Capacity Prices should be determined from a single year Supply and Demand forecast, using the relevant Gas Year's Base Case data and network model for the capacity released, as proposed under option 2. 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.

Q3 It is our opinion that Baseline Entry Capacity prices should be determined using a single analysis of the Base Case scenario adjusted to the 1-in-20 demand level, as suggested under Option 1.

Q4 We support option 2(b) as this should effect more stability and consistency when the determination of Baseline Entry Capacity Prices.

Q5 STUK supports Option 2, using the TYS Base Case scenario.

Q6 STUK supports option 2, calculating Entry and Exit LRMCs from a 'reference node'.



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Q7 We agree that LRMCs should be converted into prices using the annuitisation factor set out in National Grid's NTS Transportation Licence.

Q8 STUK agrees with the proposal to adjust raw Exit Prices and removing negative prices as part of the adjustment step.

Q9 We agree that year on year capping of NTS Exit Capacity Prices should be removed from the methodology as this should result in more cost reflective charging.

Q10 In the interests of transparency, it seems appropriate that the combined Transport and Tariff model, used by National Grid NTS to determine NTS Capacity Prices, should be made publicly available, subject to interested parties signing the Software Licence Agreement.

Q11 It seems appropriate that the Incremental Entry Capacity Price determination methodology is included within the Gas Transmission Transportation Charging Methodology, which will go towards minimising fragmentation.

Q12 & Q13 Whilst we are concerned with the tight timescales, we generally agree that the proposals, in the form, which we would wish to see put into effect, as above, are implemented for price determination in relation to all exit and entry capacity from 1st April 2007.

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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