

Jemma Spencer  
Regulatory Frameworks  
National Grid  
National Grid House  
Warwick Technology Park  
Gallows Hill  
Warwick  
CV34 6DA

Steve Armstrong  
Pricing & Margin Manager  
Gas Distribution  
National Grid  
[steve.armstrong@uk.ngrid.com](mailto:steve.armstrong@uk.ngrid.com)  
Direct tel +44 (0)1926 655834

[www.nationalgrid.com](http://www.nationalgrid.com)

13 May 2009

Dear Jemma,

## **Response to Gas Transmission Transportation Charging Methodology Consultation Document NTS GCM16: Supply and Demand Balancing Rules and Supply Source Data**

This response is on behalf of National Grid's gas distribution business. Considering each of the questions for discussion in section 7 of the consultation document, our comments are:

- i. We continue to consider that Option 3 is the most appropriate methodology for balancing supply and demand. We consider that, since the supply options other than mid- and short-range storage are grouped so that no explicit view is taken of priority between them, this is likely to result in more stable charges, compared to Option 9, in situations where supply significantly exceeds demand.
- ii. We continue to support the use of Ten Year Statement (TYS) data for beach supplies.
- iii. We do not support the use of Physical Capability for other entry components. Instead, we support the use of TYS data for all supply points since this provides a consistent treatment between all supply point types. We note that National Grid Transmission considers that using the physical capability would reflect the NTS costs incurred in developing the NTS to facilitate the flows, however this argument could also be applied to beach terminals where investment has been made to support higher past flows. For non-beach terminals there may be situations where the state of equipment beyond the NTS or commercial conditions would suggest that peak flows are likely to be lower than the physical capability. We consider that these issues can be taken into account within the TYS forecasts and hence the TYS data provides a more appropriate basis for setting charges.
- iv. We support capping of ASEPs at the obligated entry capacity level, if the Physical Capability approach is adopted.
- v. We support the use of the TYS to identify entry points that are under construction and when they will become operational since this is consistent with our preferred use of the TYS for supply data for all entry points.
- vi. We agree that new entry points should only be included if they are under construction.
- vii. An implementation date consistent with that for exit capacity would seem appropriate.
- viii. Whichever approach is finally proposed, it is important that users are provided with revised indicative prices consistent with the approach at least two months prior to time when capacity is booked. For exit capacity, we consider that revised indicative charges should be made available by the start of June 2009, prior to the DN booking period in July, to allow appropriate time for analysis of the implications if it is to be implemented for October 2009. Otherwise implementation should be delayed until October 2010.

Yours sincerely,

(by email)

Steve Armstrong