

The Joint Office, Relevant
Gas Transporters, shippers and other
interested parties

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Dear Colleague,

**Consultation on the NTS Exit Capacity Release Methodology Statement (ExCR) in
respect of the Transitional and Enduring Exit Periods.**

Special Condition C18 of National Grid Gas plc's ("National Grid") Gas Transporter Licence in respect of the NTS (the "Licence") places an obligation on National Grid to prepare and submit for approval by the Gas and Electricity Market Authority (the "Authority") before 1st April in each formula year an NTS exit capacity release methodology statement ("ExCR") setting out the methodology by which it will determine whether to release NTS exit capacity to gas shippers or DN operators. Following industry consultation National Grid NTS submitted its proposed methodology to the Authority on 30 March 2012. This was subsequently approved on 29 May 2012.

In addition to the obligation referred to above, Special Condition C18 of the Licence allows National Grid to revise the ExCR at any time. Such revision requires industry consultation prior to submitting to the Authority unless a direction is sought and obtained in accordance with paragraph 4 (d) of the condition.

On 21 June 2012, UNC Modification 417S "Notice for Enduring Exit Capacity Reduction Applications" was approved with an implementation date of 13th July 2012. This Modification removes the requirement for the 14 months' notice to apply for reductions in Enduring Annual NTS Exit (Flat) Capacity at July application windows, under certain conditions where the User Commitment Amount (UCA) will be satisfied in the forthcoming year.

In our earlier consultation we acknowledged the development of UNC Modification 417S, but felt it inappropriate to prejudge the Panel decision on the proposal. This was supported by Ofgem in their decision letter, dated 29 May 2012 which gave approval to the proposed ExCR.

Following the 13th July deadline for challenge under the self-governance rules, on 3rd August National Grid wrote to Ofgem with proposed changes to the ExCR and requesting direction that they be implemented without further industry consultation. However, Ofgem have requested that industry be consulted on the proposed changes, albeit with a reduced consultation period.

We are proposing that the effective date of the revised ExCR should be 13th July 2012.

Although this is a date in the past we believe it is appropriate to ensure maintenance of the document control history. 13th July 2012 is appropriate because National Grid worked to the rules introduced by UNC Modification 417S from this date even though the ExCR had not been updated at that time.

Accompanying this letter is National Grid's proposed ExCR: the "Consultation Draft" v8.1. This document contains change markings to highlight the proposed amendments.

This letter therefore notifies gas shippers, developers, DN operators and other interested parties of National Grid's proposed ExCR which accompanies this letter, and invites views on these proposals.

Responses

Responses to the consultation on the proposed ExCR should arrive at National Grid by 17:00 on 04 September 2012. They should be sent by e-mail to:

<mailto:mark.j.lyndon@nationalgrid.com>

and copied to

box.transmissioncapacityandcharging@uk.ngrid.com.

Please ensure that a "read receipt" is requested with your e-mail to confirm that your response has been received.

Alternatively they can be posted to Mark Lyndon at the address above.

Unless marked confidential National Grid will place all representations received on its website.

If you wish to discuss any aspect of this letter please contact me on 01926 656217 or Mark on 01926 655551.

Yours sincerely

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