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

Dear Lesley,

## **Informal Consultation on Exit Capacity Substitution and Revision**

Thank you for your invitation to comment upon the above consultation.

National Grid Gas Distribution (NGGD) acknowledges that the workshops have been useful in identifying the issues and that NTS have in general been responsive and answered most of the points that have been raised. However, NGGD is concerned that the benefits of bringing in the proposed regime have yet to be quantified satisfactorily. Without such analysis it is not possible to decide whether or to what extent this proposal will benefit consumers and therefore whether it has merit. Such analysis is essential and should be published prior to or at the time when National Grid Gas Transmission formerly consults in respect of this matter.

As mention is given to DN Flow Swapping in Section 3.2.1 NGGD also would like to raise a general concern with the interpretation of the Overrun/User Commitment/Flow Swapping regime. We understand that other aspects of this regime are being taken forward under separate review and we feel that there may be scope for operational issues to be misinterpreted as giving rise to signals for future investment with resultant inefficiencies. We look forward to these issues being discussed and addressed in the near future.

In addition NGGD recommends that if the proposed regime is implemented several key principles should be adopted; these are:

- The process should only be applied where investment is required
- It should be as simple as possible and transparent to all participants
- There should not be any discrimination between types of Exit customer e.g. there does not seem to be any justifiable reason why Interconnector customers should be treated differently to other customers
- Exchange rate caps and collars should be introduced to prevent unacceptable distortions (a 3:1 cap is consistent with the regime for Network Entry and would seem to be appropriate and a 1:1 collar is appropriate because other values would be difficult to justify)
- Donor exit points should be downstream of the recipient point if this is possible. Upstream points should only be required to give up capacity if all downstream surplus capacity has already been used. This better aligns the commercial arrangements with the physical characteristics of the system.

I trust the views expressed in this response are helpful, but should you wish to discuss in more detail, please contact me at anytime.

Yours sincerely,

By e-mail

Jonathan Dennett  
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