

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

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Dear Colleague

Consultation on the Entry Capacity Substitution Methodology Statement

Special Condition C8D of the Authority's proposals for National Grid's Gas Transporter Licence in respect of the NTS (the "Licence") requires National Grid NTS ("National Grid") to develop a methodology for the substitution of NTS Entry Capacity between Entry Points. On 18th May National Grid commenced consultation on its proposals for a Methodology Statement specifying the process by which National Grid would undertake Entry Capacity Substitutions.

At the conclusion of the consultation National Grid considered that it would not be appropriate to submit a proposed Methodology Statement to the authority for approval for two reasons:

- Further issues were raised in respect of the scope of application of an Entry Capacity Substitution process. National Grid undertook a separate consultation on this on the 12th July 2007.
- Continued consultation on the form of the Licence meant that the Authority had no means to approve the Methodology Statement.

Thus National Grid did not publish a consultation conclusions report.

In its letter¹ dated 27th July 2007 Ofgem have delayed the requirement for National Grid to implement an Entry Capacity Substitution process to allow for further industry consideration. National Grid expects that this further work would include a re-consultation on the proposed Methodology Statement and that the conclusions from this re-consultation would be published in a conclusions report at the time when the proposals are to be submitted to the Authority for approval. However, National Grid considers that it would be useful, to assist on-going debate, to publish the responses that were received to the initial consultation and to the supplementary questions. These can be found on National Grid's web site at: <http://www.nationalgrid.com/uk/Gas/Charges/statements/transportation/ectms/>

Yours sincerely

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¹ Further consultation on NTS Entry Capacity Baselines, Ofgem letter ref 192/07 dated 27/07/07.